

HESSEQUA MUNICIPALITY

ANNUAL REPORT
2017-2018



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ABOUT THE 2017/18 ANNUAL REPORT

The 2017/18 Annual Report reflects the second year of the newly elected Council after the 2016 elections and as a result also highlight all the initiatives emanating from the vision as set out in the IDP. It has been Hessequa Municipality's endeavour to deliver quality service and engage its communities in participatory local government. This report offers an overview of the operations, activities and performance of Hessequa Municipality for the 2017/18 financial year. The Annual Report is prepared in terms of Section 121 (1) of the Municipal Finance Management Act (MFMA), in terms of which the municipality must prepare an Annual Report for each financial year.

The Annual Report consists of six chapters, each addressing specific reporting areas as well as the supporting documentation in the form of Annexures. A broad overview of the report is as follows:

- Chapter 1 - An overview of the Municipality's social and demographic profile and key highlights regarding Finance, Performance and Service Delivery.
- Chapter 2 - Provides details about the governmental workings of the municipality addressing the key aspects of good governance.
- Chapter 3 - Highlights the Municipality's performance for the year, focussing on the service delivery and the Pre-determined objectives of the Council.
- Chapter 4 - Provides insight into the Human Resources and organisational management areas of the Municipality, focussing on organisational structure and legislation.
- Chapter 5 - An overview of the Municipality's financial performance, reflecting on the Municipality's financial position, assets, cash flow and intergovernmental grants received by the Municipality.
- Chapter 6 Auditor-General Opinion
- Annexure A - Audited Financial Statements
- Annexure B - Audit Committee Annual Report
- Annexure C - Oversight Report

The 2017/18 Annual Report serves as a record which reveals the continuation of service delivery, progress, growth and performance of the Hessequa Municipality.

Chapter 1:

Overview of Hessequa

Municipality



CHAPTER 1

1.1 FOREWORD BY THE EXECUTIVE MAYOR

It is my privilege to present the 2017/18 Annual Report of Hessequa Municipality to our public. Hessequa has received four clean audit opinions in the past and is this Annual Report a testimony of the continued effort to enhance service delivery and good governance. I want to thank each and every official of the Municipality who has laboured in making and keeping Hessequa one of the best municipalities in the country. Hessequa is blessed with residents who participate in processes and do I specifically want to thank each and every individual who continues to give inputs, comments or proper complaints to our service delivery processes. This good relationship between local government and its residents is what makes Hessequa successful.



Although Hessequa also feels the strain of the economic challenges worldwide and in South Africa, the Council continued to work and invest as set out in our long-term financial plan. We are starting to see the fruit of good financial practices with improved liquidity ratios. Various infrastructure projects have been implemented, paving the way to approve development in towns, which will enhance the income needed to prevent increased taxes and tariffs and remain affordable to the diverse communities and residents of the Hessequa area. This will allow for projects to improve the lives and dignity of residents living in informal areas by developing serviced plots to accommodate individual families. With the above mentioned in mind, I want to thank each and every household who continues to pay their monthly accounts on time, as it ensures a sustainable environment for everyone.

Critical to the sustainability of Hessequa is the mitigation of the effect of the drought circumstances we are facing. The management of water sources and the security of bulk water supply is pinnacle in our approach to mitigate the effect of the drought. Our long-standing partnership with the University of Stellenbosch was pivotal in the success of securing finance and extended partners in the development of the first solar energy powered desalination plant for Witsand.

With these few words I want to look into the future of Hessequa and recognise the challenges that we are facing as a community and work towards the future where there is hope. Our vision remains to be a "*Caring, Serving and Growing Hessequa*".

In your service,

Grant Riddles

Executive Mayor, Cllr G Riddles

1.2 MUNICIPAL MANAGER’S OVERVIEW

It is with great pleasure that the 2017/2018 Annual Report is presented to Council and the public of Hessequa Municipality. Hessequa is responsible for services delivery to the residents of the Hessequa area in terms of Section 155/156 of the Constitution of South Africa as a category B municipality. Hessequa does not have any entities who deliver services on behalf of the municipality.

Hessequa is known for good governance practices and the audit outcomes of the previous financial year confirmed this with the achievement of a clean audit opinion from the Auditor-General of South Africa.

As a result of the implementation of the Hessequa Financial Plan, the state of the municipal finances is in good order, as confirmed by the external audit from the Auditor-General of South Africa and various assessments by the Provincial Treasury.

Hessequa does well to manage its revenues and have the credit control initiatives provided an above standard collection of service charges and taxes, as reflected in the audited financial statements. This can be seen in the change in number of indigent households.

With the successful appointment of an experienced Technical Director, Hessequa is working with its partners to ensure improved capital spending and the hard work done reflects in this Annual Report. The municipality continues to develop and implement controls to mitigate strategic, operational and disaster risks. The largest initiative, relating to disaster risks, is the medium-term plan being developed for the establishment of a compliant and effective municipal fire safety service.

In collaboration with the University of Stellenbosch, Hessequa is working hard to secure bulk water provision in high risk areas as a result of the on-going drought.

We appreciate all who have participated in municipal processes and believe that every input, concern, query and even letters of appreciation, help to keep Hessequa on track with service delivery.



Johan Jacobs

MUNICIPAL MANAGER

1.3 MUNICIPAL & SERVICE DELIVERY OVERVIEW

The name Hessequa, meaning "people of the trees", refers to the tribe of Khoikhoi people that used to live in the region. Hessequa is the gently curving edge of the continent just east of the southern-most tip of Africa.

The municipality nestles at the foot of the Langeberg Mountains with boundaries stretching along the Southern Cape coast from the Breede River to Gouritsmond. A region rich in natural beauty with rolling hills of pristine limestone and mountain fynbos, dune thicket and Renosterveld and to the north surrounded with rugged mountains, indigenous forests, fynbos and Karoo. Pristine beaches stretch the entire length of her coastline. Ecological assets include four estuaries, a world heritage forest site, several nature reserves which guard a number of rare and endangered floral species such as Erica Blenna and even a very special little frog.

Hessequa Municipality is situated in the Southern Cape Coast on the Garden Route; about 320 km's from Cape Town on the N2 and is situated on the western border of the Eden District Municipality¹ between Swellendam and Mosselbay Municipalities. At present, the Municipal area of Hessequa includes the towns of Heidelberg, Riversdale, Albertinia, Witsand, Gouritsmond, Slangrivier, Stilbaai and Jongensfontein.

Wards

The municipal area includes a number of huge rural areas as well as towns. The Municipality is currently structured into the following 9 Municipal Wards:

Ward	Areas	Ward	Areas
1	Gouritsmond, Melkhoutfontein, Stilbaai East and rural farming areas	5	Part of Heidelberg from N2 towards Duivenhoksriver
2	Albertinia Town, Theronville and rural farming areas	6	Part of Riversdale and rural farming areas
3	Vermaaklikheid, Jongensfontein, Stilbaai West and rural farming areas	7	Part of Riversdale and rural farming areas, Brandrivier/Karoo, Garcia and Kwanokuthula
4	Witsand, Part of Diepkloof Heidelberg and surrounding rural farms and Slangrivier	8	Part of Riversdale, Môrestond, Aloeridge & Panorama
		9	Part of Heidelberg, North-west of N2 and surrounding rural farming areas towards northern border with Kannaland and Swellendam municipalities

Table 1.:Municipal Wards

¹ Eden District Municipality name changed to Garden Route District Municipality on 24 August 2018

1.3.1 Hessequa Households & Population

At the time of Census 2011, the population of the Hessequa region constituted of **52 642** people made up of **15 873** household units. The municipal area includes a number of big rural areas as well as towns. These towns all have unique socio-economic challenges and does the municipality provide a safety net for poor households through the approved Credit Control and Indigent Policy. Table 1 reflects the number of households registered for indigent support as at July 2018.

Town	2016/2017	2017/2018
Albertinia	1 171	1 003
Gouritsmond	63	49
Heidelberg	1228	1 233
Slangrivier	617	788
Riversdale	1 985	1 863
Stilbaai	331	243
Total	5 395	5 179

Table 1 - Indigent Households

Population

The Municipality is estimated to account for +/-9% of the total Eden District's population of 574 265. The table below indicates the projected population for each town within the Hessequa municipal area:

	2001	Growth Rate	2011	2018	2020	2025	2030
Albertinia	4692	3.11%	6372	8393	8757	10589	12900
Gouritsmond	459	1.16%	515	539	571	605	641
Jongensfontein	282	2.33%	355	389	437	490	550
Heidelberg	7125	1.49%	8259	8762	9433	10156	10934
Melkhoutfontein	1479	5.53%	2533	3141	4111	5380	7040
Riversdale	12793	2.37%	16177	19982	20211	22945	26094
Slangrivier	2352	2.50%	3011	3324	3761	4255	4814
Stilbaai	3012	1.55%	3514	3737	4037	4360	4710
Witsand	199	4.90%	321	389	494	627	796
Rural	11741	-0.13%	11586	11525	11448	11372	11297
Total	44134	1.78%	52642	78020	83469	93725	105872

Table 2.: Growth and Projected Population

1.3.2 Overview of Hessequa's Social and Economic Information

Socio-economic Overview

To provide a brief overview of the Hessequa economic profile the following table clearly indicates the growth challenges experienced by economic sectors within Hessequa. Even though the statistics in the following tables do not relate directly to the reporting financial year, the trends in progress/regress/levels are relevant to the Annual Report as it provides an overview to the reader.

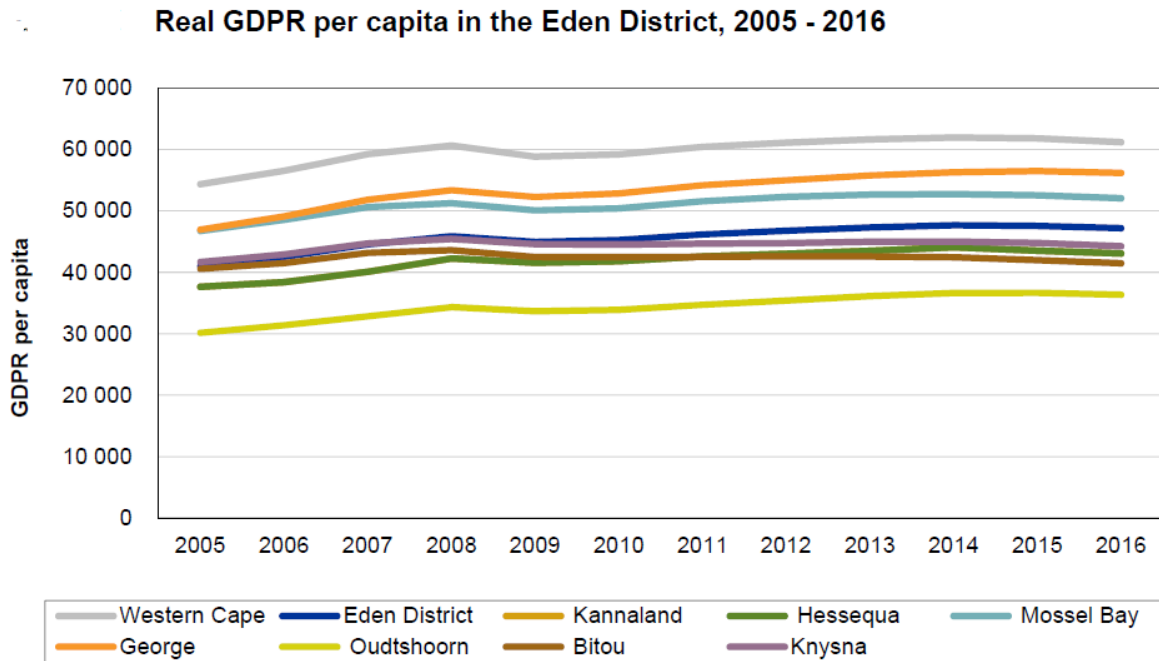


Table 3.:Economic Growth

These challenges also reflect within the employment figures. These figures clearly indicate that residents aren't experiencing economic growth, and should the municipality consider investment in income generating infrastructure, which will provide growth nodes with the capacity in bulk services to accommodate new development.

Sector	Contribution to employment (%) 2015	Number of jobs 2015	Trend 2004 - 2015	Employment (net change)		
				Pre-recession 2004 - 2008	Recession 2008 - 2009	Recovery 2009 - 2015
Agriculture, forestry and fishing	4.2	891	-3 477	-2 523	-445	-509
Mining and quarrying	0.0	5	-17	-5	-6	-6
Manufacturing	9.7	2 088	329	381	-125	73
Electricity, gas and water	0.2	51	6	6	-7	7
Construction	7.8	1 669	-306	73	-299	-80
Wholesale and retail trade, catering and accommodation	33.1	7 084	2 915	2 045	16	854
Transport, storage and communication	8.2	1 757	1 056	614	42	400
Finance, insurance, real estate and business services	15.5	3 322	1 586	833	-2	755
Community, social and personal services	12.9	2 759	707	378	11	318
General government	8.4	1 799	393	153	46	194
Total Hessequa	100	21 425	3 192	1 955	-769	2 006

Source: Quantec Research, 2016

Table 4.:Economic Sector Employment

1.3.3 Service Delivery Overview

One of the major challenges of the Hessequa municipal region is the vast geographic layout. The above-mentioned communities are located in a rural area more than twice the size of the City of Cape Town Metro. When access to services are assessed within the integrated development planning process, it **includes the vast number of households that are in the rural areas**. These households do pose a major challenge in terms of service delivery as they are not connected to any form of municipal basic service. The following tables represent the access to basic services for all household's c in Hessequa compared that of other municipalities in the Eden district.

Water

Different types of access to water, Eden District, 2016

Municipality	Inside the yard		Less than 200 m from yard		More than 200 m from yard	
	2015	2016	2015	2016	2015	2016
Kannaland	5 812	7 537	0	0	0	0
Hessequa	12 945	13 316	399	427	0	0
Mossel Bay	31 888	35 156	2 422	72	0	0
George	29 740	30 106	3 137	3 362	120	120
Oudtshoorn	13 966	14 588	3 392	3 392	103	0
Bitou	14 129	14 784	929	850	0	0
Knysna	15 932	16 826	3 768	3 744	1 179	929

Source: Non-Financial Census of Municipalities, Stats SA 2017

Table 5.:Services Comparison

The data indicates that in Hessequa, 80.4 per cent of households have access to water within their dwellings and a further 14.4 per cent have access inside their yard. The minimum service level is households that have access to water 200 m or less from their dwelling. Approximately 97.8 per cent of households meet this minimum standard. This puts Hessequa close to the NDP target of 100 per cent access to water by 2030. Hessequa outperforms the Provincial and District average of 96.6 and 95.2 per cent respectively.

Sanitation**Different types of access to sanitation, Eden District, 2016**

Municipality	Toilet connected to public sewerage system		Flush toilet connected to septic tank		Bucket system		Ventilated improved pit latrine system		Other	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Kannaland	5 332	5 332	190	190	0	0	0	0	0	0
Hessequa	12 945	12 987	1 713	1 713	0	0	487	487	0	0
Mossel Bay	26 623	26 623	5 285	5 285	137	137	30	30	2 285	2 285
George	29 740	31 147	1 630	1 630	0	0	1 627	811	0	0
Oudtshoorn	13 966	14 588	508	601	0	0	0	0	492	592
Bitou	14 129	15 059	479	390	0	0	0	0	0	0
Knysna	15 932	18 454	2 634	528	0	0	0	2 108	5 139	3 205

Source: Stats SA Non-Financial Census of Municipalities

*VIP Service is an acceptable service standard and are primarily found in rural areas where households are not connected to flow sanitation services.

Table 6.: Sanitation Services Comparison

Selected socio-economic indicators, Eden District, 2005 - 2016

Indicator	Eden District	Kannaland	Hessequa	Mossel Bay	George	Oudtshoorn	Bitou	Knysna
GDP growth (2005 - 2015)	3.2%	3.3%	3.2%	2.9%	3.7%	3.2%	3.2%	2.3%
Population growth (2005 - 2015)	1.7%	1.3%	1.6%	1.6%	1.7%	1.2%	2.8%	1.6%
Real GDP per capita (2005 - 2015)	R45 574	R41 689	R41 805	R50 959	R53 364	R34 360	R42 294	R44 366
Gini coefficient (2010 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
Household expenditure	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services	Non-durable goods/ Services
HDI (2010 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
No schooling (2016)	7.1%	8.5%	7.4%	6.4%	7.4%	7.7%	6.1%	6.1%
Grade 12 dropout rates (2016)	31.7%	39.3%	30.2%	32.5%	26.4%	35.6%	25.9%	32.2%
Informal dwelling (2016)	8.9%	1.5%	2.2%	7.3%	7.4%	5.7%	16.9%	18.1%
Indigent households (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic water (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic electricity (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic refuse removal (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Free basic sanitation (2015 - 2016)	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Decrease
Main causes of death (%)	Diseases of the circulatory system							
Age group with highest death rate	45 - 65+							

*Table sourced from Municipal Economic Review and Outlook, 2017, Western Cape Government



Inclusive Summary

The socio-economic profile illustrates how the socio-economic environment impacts on the standard of living within the Municipality. The following points are of note in the analysis above:

- An **increasing dependency ratio** on municipal indigent safety nets. (Table 1)
- Hessequa has growing population at a rate of 1.6 per cent per annum, according to Quantec Research. This should be noted for municipal planning going forward.
- The **literacy rate** remains a serious matter to consider. The Grade 12 drop-out rate impacts on the employability of youth.
- Hessequa has relatively low informal structures, but a recent study of Backyard Dwellings showed that the impact of the lack of housing is much larger than the figures show.
- The Municipality has the lowest level of households under the lower bound poverty line within the District. The Municipality however has the **lowest and slowly increasing per capita income**.
- Hessequa Municipality outperforms the District in terms of access to water, electricity, sanitation and formal dwellings, but there is still room for improvement in terms of household access to refuse removal. This is primarily caused by the lack of the service in rural areas.

It is also clear that any investments that is made by the municipality should be focused on sustainability and providing the space for development. It is clear from this short overview that services are delivered, however the cost of these services on the low-income households is creating a risk of non-sustainability.

Basic Service Delivery Performance Highlights

Highlight	Description
Upgrading of the Riversdale Waste Water Treatment Works (R11,5M)	The project was implemented to help improve the green drop score for Riversdale waste water treatment work. The waste water treatment works has reached its capacity and urgent upgrades were required to supplement the current and future developments. The capacity was increased from 2ML/day to 4ML/day to ensure that the demand requirements are met.
New Bulk Water Services for Low Cost Housing in Melkhoutfontein. (R5M)	The project was implemented to help improve the green drop score for the Melkhoutfontein water treatment work. The current demand was improved to increase the storage capacity and to ensure that future developments can be provided for.
Extensive Flood damage project in Albertinia & Riversdale. (R8M)	The project was implemented to improve the storm water infrastructure to prevent any prevent future flooding and reduce damages to Municipal Infrastructure. Upgrading of gravel to paved road surfaces in the low-cost housing area in Riversdale and Diepkloof, Heidelberg.
Electrification Substation project in Riversdale (R2M)	The project was implemented to improve the system requirements must be changed, when power failures occur and when fault finding are required.

Highlight	Description
Extensive Flood damage project in Heidelberg. Part of one Project (R7M)	The project was implemented to improve the 3 low water bridge structures to prevent any future flooding and protect the Municipal Infrastructure and Private properties.
Greenest Municipality Competition.	Hessequa Municipality obtained third place for the 2017/18 Greenest Municipality Western Cape Competition and got second place for the national awards for the Greenest Municipality Competition.
INEP (Infrastructure National Electrification Programme) Grant Fund (R1M)	Electrical infrastructure and network strengthening have been successfully implemented to accommodate the future housing projects in Diepkloof, Heidelberg.
EPWP Project Implementation in Hessequa Municipal areas	330 Temporary Jobs were created during the past 12 months to assist the municipality with regards to all departments in Hessequa Municipal Area. This reduced the impact on the municipal personnel budget.

Table 7.:Basic Service Delivery Highlights

Basic Service Delivery Challenges

Service Area	Challenge	Actions to address
Water, roads, sanitation, electrical	The sustainability of water sources within the Hessequa Municipal area remains a challenge. The prioritisation of key service deliverables must be identified and implemented to remain sustainable, which are in line with budget requirements.	The financial plan of the municipality clearly identifies the investment needed to maintain and develop services. More significant Provincial and National investment in local sphere of government is needed to maintain service levels.
Water, roads, sanitation, refuse removal	The availability of infrastructure in remote areas remains a huge challenge.	National support is needed to effectively manage rural small towns. Small towns with less than 2 000 households are major challenges.

Table 8.:Basic Service Delivery Challenges

1.4 Financial Health

1.4.1 Financial Overview

Details	Approved Budget	Actual
	R'000	R'000
Income		
Grants	117,007	93,231
Taxes, Levies and tariffs	273,607	279,637
Other	70,217	82,785
Sub Total	460,831	455,653
Less Expenditure	435,962	403,190,675
Net Surplus	24,870	52,463

Table 9.: Operating Budget Overview - Please refer to AFS for more detailed information

1.4.2 Operating Ratios

Detail	Expected norm (% of total budget exp) %	Actual/Total Final budget (%)	Variance %
Employee Cost	33,50%	36,35%	2,85%
Repairs & Maintenance	8,00%	3,80%	-4,20%
Finance Charges & Depreciation	10,01%	11,21%	1,20%

Table 10.: Operating ratios

1.4.3 Total Capital Expenditure

Detail	2016/17	2017/18
	R'000	
Approved Budget	173,802	90,682
Actual	139 090	62,292
% spent	80.03%	68.69%
For more information on under expenditure, please refer to page 58, TL52, explanation on under performance of capital expenditure		

Table 11.: Total Capital Expenditure

Chapter 2:

Good Governance

CHAPTER 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are considered and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

2.1 Good Governance and Public Participation

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 7146 2001 and section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

KPA & Indicators			
	2015/16	2016/17	2017/18
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	82.43 %	80.03%	68.69%

Table 12.: National KPIs - Good Governance and Public Participation Performance

2.2 Performance Highlights – Good Governance and Public Participation

Highlight	Description
Review of Ward Committee Functionality with Ward Committee Members	The first step the new Council took was to ensure that the representative nature of ward committee members is ensured to enhance participation. With the Ward Committees functioning for more than a year, some challenges were experienced and in collaboration with Provincial Department of Local Government a review process was initiated to enhance Ward Committee functionality.
Backyard Dwelling Survey	The challenges experienced by families living in the backyard of other households have been identified by Council as a priority for research and planning. Funding was allocated for the 100% survey of all backyard



	<p> dwellings. Results are summarized in this Annual Report. The outcomes of the survey prepare the way for Council to develop a strategy to address the needs of these households</p>
<p>Long Term Strategic Framework Process</p>	<p>With the leadership of the Council, the process continued to discuss long term objectives with communities and stakeholders. This forms part of a process which will provide a clear framework for future development in Hessequa. The ultimate goal of this participatory process is to establish a common vision and a clear framework for future development which is supported by all stakeholders. It also creates a better understanding within communities about the development challenges that the municipality faces. This process is also an extension from the existing partnership with the University of Stellenbosch.</p>

Table 13.: Good Governance and Public Participation Performance Highlights

2.3 2017 Back Yard Dwelling Survey

The Hessequa municipal area consists of different towns with unique demographic-, geographic- and socio-economic realities. Access to basic services is the core function of local government, with access to housing being regulated by the provincial sphere of government. This creates an environment where the local municipality acts as an agent on behalf of the provincial sphere of government, but the realities communities experience in terms of housing shortage, needs to be dealt with by the local sphere of government.

Given the delivery mechanisms for housing provision and the availability of resources as provided and regulated by the provincial sphere of government, it is clear that the backlog is not addressed when considering the municipal wide need. This challenge creates specific results in communities, of which “Backyard Dwellers” is the most prevalent phenomenon in Hessequa Municipality. Other municipal areas might suffer uncontrolled occupation of land and the sprawl of informal structures. In Hessequa the growth in informal settlements are being managed to an extent and does this controlled growth also result in other “coping” mechanisms people use to find a safe shelter for themselves and their families. In the case of Hessequa, the largest “coping” mechanism communities revert to in the shortage of housing delivery, is the construction of “Backyard Dwellings”.

Unlike regulated informal settlements, which can be monitored in terms of growth, the growth in numbers and profile of backyard dwellings are not monitored. This creates a challenge to decision makers as no information exist on the volume, profile or sustainability of this “coping mechanism” residents are using to fulfil their immediate housing need. The Hessequa Council provided the mandate for the development and implementation of a Backyard Dweller Survey to the Community Services Directorate. The development of the survey methodology and implementation was co-ordinated by the Strategic Services Department in the Office of the Municipal Manager, with funding from the mandated directorate.

To develop the scope of the survey, it was necessary to define “Backyard Dwelling/Dweller”. The most basic definition was that of **“A household (people) living in an informal residential structure/dwelling that has been erected on an existing, developed, residential property”**.

Depending on the main dwelling for services like electricity, sanitation and water. This definition excludes any formal household, which has a registered / formally built, additional residential units added to the property.

Once the scope of the survey was defined, the content of the survey was developed to include the basic information relating to residents of backyard dwellings. Three main themes were identified with structured responses:

1. Profile of Residents

- **Age:** 65+/ 19 – 65/ 13 – 18/ 0 – 12
- **Main Income:** Pension/ Temporary/ Employed/ Grant/ Unemployed/ Grant, etc.
- **Income Category:** R0-R3500/ R3500-R7000/R7001-15000/ R15000+

2. Profile of Access to Services

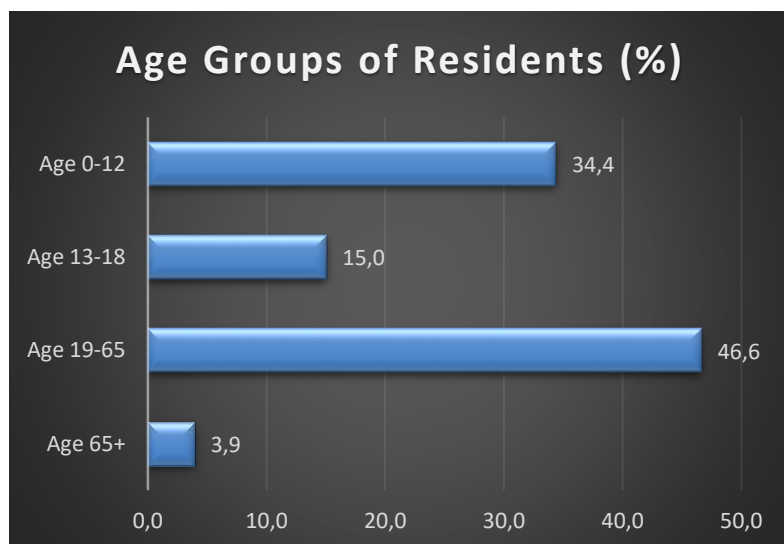
- **Water:** Outside/ Inside/ Inside Structure/ Main House
- **Electricity:** None/ Lead/ Own DB/ Own Meter
- **Sanitation:** Inside Structure/ Outside/ Main House/ Other

3. Profile of Access to Housing Processes

- **Completed Housing Application:** Yes/ No/ Uncertain
- **Previous Home Ownership:** None/ Owned Home

Age Groups of Residents in Backyard Dwelling Units

The age profile of residents was divided into 4 age groups. This was done to consider the effect of living conditions on small and primary schoolchildren to the age of 12. The second age group being high school age up to the age of 18. The age group of 19-65 were put together. Senior citizens of 65 and older were considered during the survey as indicated by the Age Groups graph.



The survey results indicate that almost half of the backyard dwelling residents are of the working age group with more than a third of the residents are made up of young children. The Senior Citizens and High School age groups contribute about a fifth. **It is clear that the survey shows that the majority of people living in backyard dwellings are families of working age with younger children.**

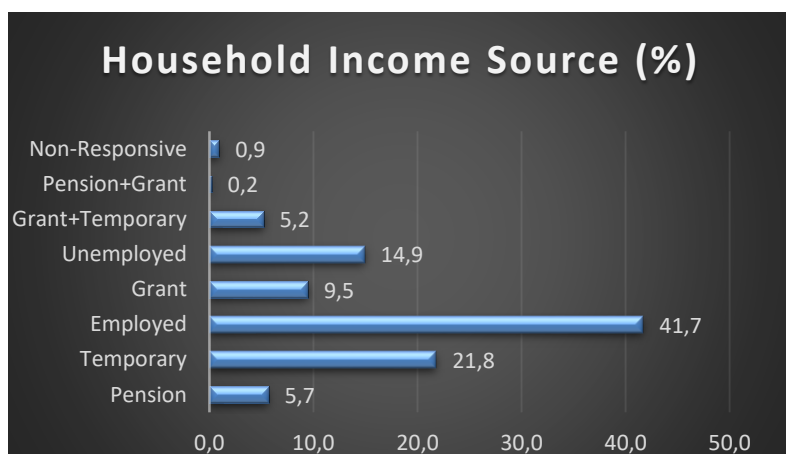
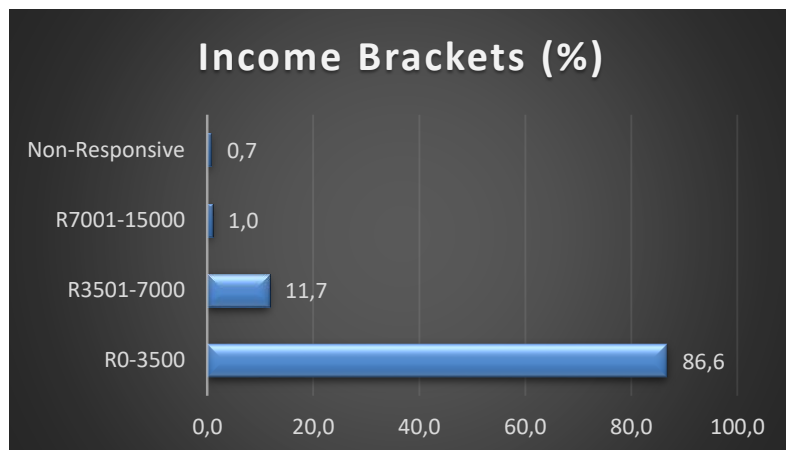
Household Income Profile

The structure of the responses to the question of Household Income focuses on income brackets, which relates to housing subsidy categories. The responses received indicated that 86.7% of responding households have an income, which falls within the low-cost housing bracket.

However, of the 86.6% households responding to having an income of R0- R3500, **only 52.9% confirmed that they have completed a housing subsidy application.**

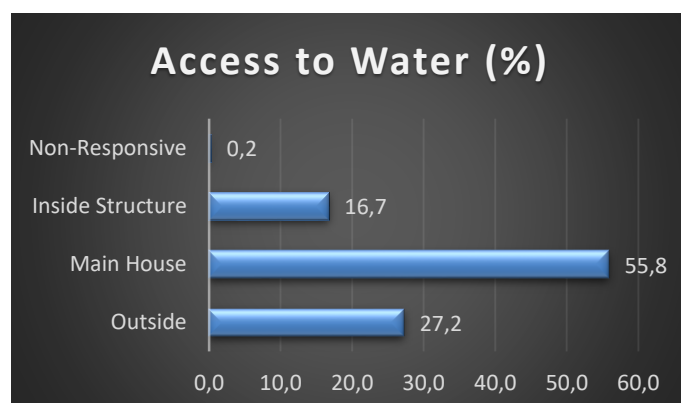
In terms of Income Source, 14.9% responded as being unemployed with no form of income. The employment responses for **Employed and**

Temporary Employed totalled 63.5% of all responses. This confirms the figures relating to the majority of backyard dwelling residents being of working age.



Access to Services

With Basic Service Delivery being the fundamental function of any municipality; it was critical to survey the levels of basic services available to these households, **found within the urban edge of towns.**



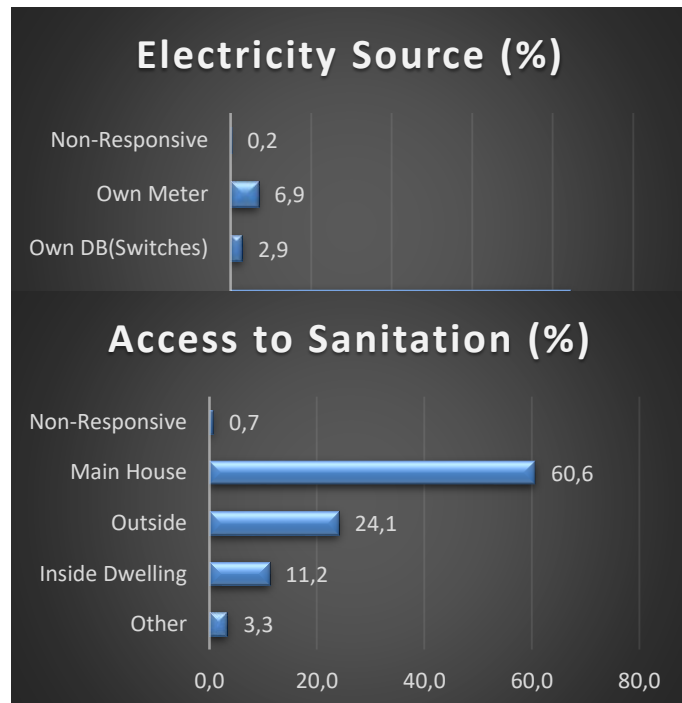
Access to Water: The majority of responses indicated that they either received access to water from the Main House (55.8%) or from a tap outside in the yard. (27.2%). It is understandable that only 16.7% of the dwellings managed to bring the water source to the inside of the dwelling as the size of the structures are in general very small with limited space.

Access to Electricity: The vast majority of responses indicated the source of electricity in the backyard dwelling to be provided in the form of a "Lead" (84.5%). Other responses indicated that 6.9% have "Own Meters" in the dwelling units, 2.9% indicated that a basic "Own DB" exists. 5.5% Indicated that no electricity is available in the dwelling. The safety risks involved with the informal provision of an electrical supply to informal structures is a major point to be considered.

Sanitation Services: The responses to access to Sanitation (Toilet Facilities), indicates that backyard dwellings rely

heavily on access to the "Main House" (60.6%) for sanitation services. 24.1% Are making use of facilities "Outside". In general, the "Inside Dwelling" (11.2%) and "Other" (3.3%) relates to making use of an intermediate solution before the waste is disposed of.

It was found that backyard dwellers are heavily dependent on the "good-will" of the "Main House" residents to continually have access to basic services. Residents of backyard dwellings are challenged by being denied access to services because of two separate households which co-exist and function within a shared space with limited resources.



Access to Housing Opportunities

As municipalities are the implementing agents of the provincial policy on housing, it was important to understand the “penetration” of the housing provision “policy” and the effect it has on residents of backyard dwellings.

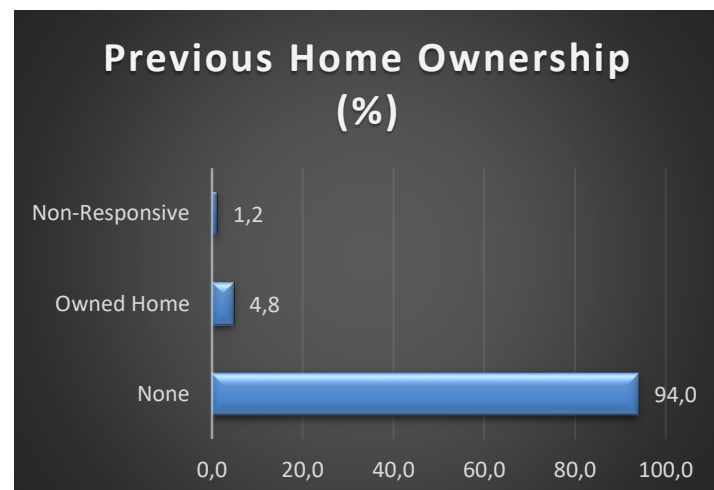
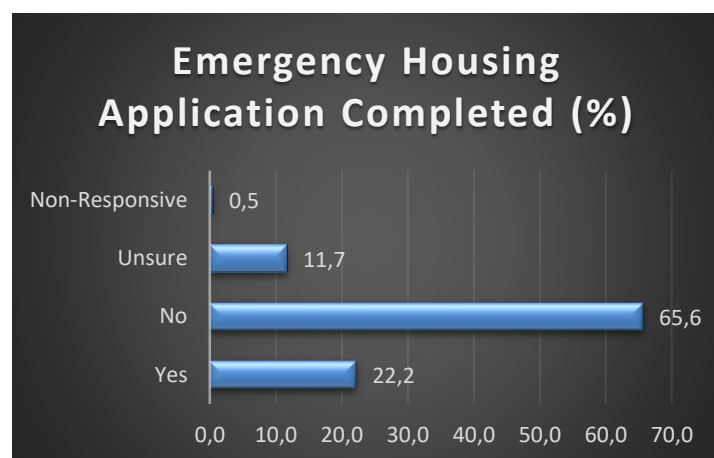
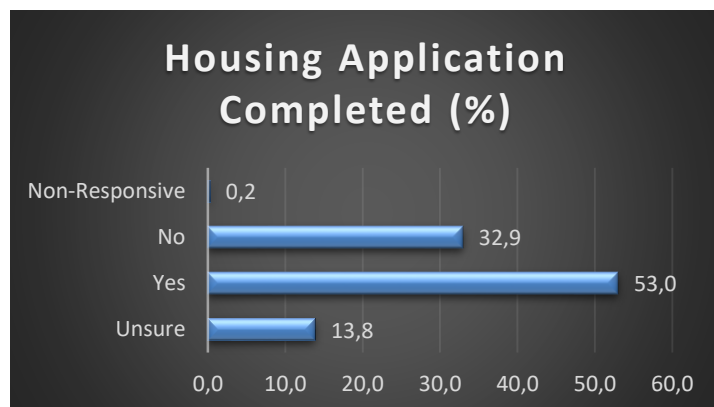
From the responses, it was found that

only 53% of respondents have completed housing applications. Of the 53% of respondents who confirmed that they have completed a housing application, **only 29.3% indicated that they have completed an emergency housing application as well.**

In terms of Emergency Housing Applications, 65.6% indicated that they have not completed an Emergency Housing Application. 22.2% Of all responses indicated that applications for Emergency Housing have been completed. **It is important to note that the Emergency Housing process is not making an impact on more than 75% of backyard dwelling residents.**

The survey considered the possibility that residents in backyard dwellings could previously have been assisted with housing subsidies. 4.8% Of respondents indicated that they have owned a home prior to moving into a backyard dwelling.

When the separate responses are cross-tabulated and compared, it is concluded that only 37.5% indicated that they have completed a housing application. 6.7% indicated only an emergency housing application and 29.3% indicating both. The combined figure of 40.3% of backyard dwelling households indicating that no form of housing application has been completed, should seriously be considered as it is an indicator of only +/-60% penetration rate of all municipal housing delivery mechanisms.



2.4 Challenges – Good Governance and Public Participation

Description	Actions to address
Compliance and Affordability to comply and mature towards enhanced governance processes.	Communities are becoming more and more used to various services that are enabled through digital services and does the implementation of these technologies create a major challenge to consider in terms of systems changes that is required. Changes within the regulatory environment of municipalities causes system changes as well and do all local municipalities struggle to find the needed resources to invest in non-income generating expenditure. Examples of these are new financial systems, electronic process management, infrastructure telemetry, broadband/network infrastructure, etc.

Table 14.: Good Governance and Public Participation Challenges

2.5 Governance Structure

2.5.1 Political Governance Structure

The Council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles and have delegated its executive function to the Executive Mayor and the Mayoral Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their function as decision makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

a. Council

The Council comprises of 17 elected Councillors as of August 2016, consisting of 9 Ward Councillors and 8 Proportional Representation (PR) Councillors. The portfolio committees are made up of Councillors drawn from all political parties. The party representation in the Council is presented in the table below and the Councillors are categorised within their specific political parties and wards for the 2017/18 financial year:

July 2017 – June 2018

Council Members	Capacity	Political Party	Ward representing or proportional	Number of Council meetings attended (Total 12)	Percentage Apologies for non-attendance
					%
G Riddles	Executive Mayor	DA	PR	12	n/a
Johannes Hartnick	Executive Deputy Mayor	Freedom Front	PR	12	n/a



Council Members	Capacity	Political Party	Ward representing or proportional	Number of Council meetings attended (Total 12)	Percentage Apologies for non-attendance
					%
A Stroebel	Speaker	DA	PR	12	n/a
M Jakobs	Councillor	DA	PR	12	n/a
AM Joubert	Councillor	DA	PR	11	100
B Smith	Councillor	DA	Ward 1	12	n/a
JL Hartnick	Councillor	DA	PR	12	n/a
SM Odendaal	Councillor	DA	Ward 9	12	n/a
T van den Berg	Councillor	DA	Ward 3	12	n/a
ME Dayimani	Councillor	ANC	Ward 7	12	n/a
CP Taute	Councillor	ANC	Ward 8	10	100
L Pieterse	Councillor	ANC	PR	12	n/a
JE Gelderbloem	Councillor	ANC	Ward 5	12	n/a
T Pretorius	Councillor	ANC	Ward 4	12	n/a
NA Joseph	Councillor	ANC	Ward 6	12	n/a
M Fielies	Councillor	ANC	PR	11	100
IT Mangaliso	Councillor	ANC	Ward 2	12	n/a

Table 15.: Council Meetings

b. Executive Mayoral Committee

The Executive Mayor of the Municipality, Councillor G Riddles, assisted by the Mayoral Committee, heads the executive arm of the Municipality. The Executive Mayor is at the centre of the system of governance, since executive powers are vested in him to manage the day-to-day affairs. This means that he has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Mayor, delegated by the Council, and as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Executive Mayor functions in consultation with the Mayoral Committee.

The name and portfolio of each Member of the Mayoral Committee is listed in the table below for the period 1 July 2017 to 30 June 2018:

Name of member	Capacity
G Riddles	Executive Mayor
Johannes Hartnick	Executive Deputy Mayor
M Jakobs	Mayoral Committee member
AM Joubert	Mayoral Committee member
B Smith	Mayoral Committee member
Meeting dates	Number of reports submitted to Council
26 July 2017	268
14 August 2017	
30 August 2017	
26 September 2017	
24 October 2017	
29 November 2017	
24 January 2018	
30 January 2018	
28 February 2018	
28 March 2018	
26 April 2018	
29 May 2018	
27 June 2018	

Table 16.: Executive Mayoral Committee

c. Portfolio Committees

In terms of section 80 of the Municipal Structures Act, 1998, a Council may appoint committees of councillors to assist the executive committee or executive mayor. Section 80 committees are permanent committees that specialise in a specific functional area of the municipality and may in some instances make decisions on specific functional issues. They advise the executive committee on policy matters and make recommendations to Council.

The Portfolio Committees for the 2016 - 2017 financial year and their chairpersons are as follows:

I. Corporate Services

Name of member	Capacity
B Smith	Chairperson
M Fielies	Member
Johannes Hartnick	Member
JL Hartnick	Member
M Jakobs (until Sept 2017 – switched to Financial Services Portfolio)	Member
IT Mangaliso	Member
SM Odendaal	Member
L Pieterse	Member
A Stroebel (replaced Cllr M Jakobs since October 2017)	Member

Table 17.: Corporate Management Portfolio Committee

Meeting dates	Number of reports submitted to Council
16 August 2017	233
13 September 2017	
11 October 2017	
14 November 2017	
14 February 2018	
14 March 2018	
18 April 2018	
16 May 2018	
13 June 2018	

Table 18.: Corporate Services Portfolio Committee Meetings

II. Community Services**July 2017-June 2018**

Name of member	Capacity
M Jakobs	Chairperson
AM Joubert	Member
SM Odendaal	Member
JL Hartnick	Member
IT Mangaliso	Member
M Fielies	Member
T Pretorius	Member
Johannes Hartnick	Member

Table 19.: Community Services Portfolio Committee

Meeting dates	Number of reports submitted to Council
16 August 2017	82
13 September 2017	
11 October 2017	
14 November 2017	
14 February 2018	
14 March 2018	
18 April 2018	
16 May 2018	
13 June 2018	

*Table 20.: Community Services Portfolio Committee Meetings***III. Technical Services**

Name of member	Capacity
AM Joubert	Chairperson
JL Hartnick	Member
SM Odendaal	Member

Name of member	Capacity
T van den Berg	Member
Johannes Hartnick	Member
ME Dayimani	Member
T Pretorius	Member
J Gelderbloem	Member

Table 21.: Technical Services Portfolio Committee

Meeting dates	Number of reports submitted to Council
16 August 2017	141
13 September 2017	
11 October 2017	
14 November 2017	
14 February 2018	
14 March 2018	
18 April 2018	
16 May 2018	
13 June 2018	

Table 22.: Technical Services Portfolio Committee Meetings

IV. Financial Services Portfolio Committee

Name of member	Capacity
B Smith	Chairperson
ME Dayimani	Member
Johannes Hartnick	Member
M Jakobs (replaced Cllr A Stroebel since October 2017)	Member
NA Joseph	Member
AM Joubert	Member
A Stroebel (until Sept 2017 – switched to Corporate Management Portfolio)	Member
CP Taute	Member
T van den Berg	Member

Table 23.: Financial Services Portfolio Committee

Meeting dates	Number of reports submitted to Council
16 August 2017	113
13 September 2017	
11 October 2017	
14 November 2017	
14 February 2018	
14 March 2018	
18 April 2018	
16 May 2018	
13 June 2018	

Table 24.: Finance and Audit Portfolio Committee Meetings

V. Development Planning

Name of member	Capacity
Johannes Hartnick	Chairperson
AM Joubert	Member
T van den Berg	Member
M Jakobs	Member
J Gelderbloem	Member
N Joseph	Member
L Pieterse	Member

Table 25.: Development Planning Portfolio Committee

Meeting dates	Number of reports submitted to Council
16 August 2017	45
13 September 2017	
11 October 2017	
14 November 2017	
14 February 2018	
14 March 2018	
18 April 2018	
16 May 2018	
13 June 2018	

Table 26.: Development Planning Portfolio Committee Meetings

2.5.2 Municipal Public Accounts Committee (MPAC)

The Municipal Public Accounts Committee were appointed by the newly elected Council and consists of three members. The following table reflects the members. The primary function of the Public Accounts Committee is to provide oversight on behalf of the community by the non-executive members of Council. Various functions can be delegated to the MPAC committee. As it serves as a dedicated platform to provide oversight to Council, the 2016/17 Annual Report Oversight Process was delegated to the MPAC committee and was dealt with in great detail and efficiency. Additional members were co-opted for the oversight process to develop the legislated "Oversight Report". These co-opted members included a public nominee and a representative of the Audit Committee.

Councillor	Function
Cllr I Mangaliso	Chairperson
Cllr J Hartnick	Member
Cllr T van den Berg	Member

Table 27.: Members of the Municipal Public Accounts Committee

2.5.3 Administrative Governance Structure

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. The Municipal Manager is supported by a management team as set out below in Table 28.

Name of Official	Department	Performance agreement signed
		(Yes/No)
Mr. J Jacobs	Municipal Manager	Yes
Ms. AM Griesel	Corporate Management	Yes
Ms. HJ Viljoen	Financial Services	Yes
Mr. HS Visser	Development Planning	Yes
Mr. L Zincume (resigned Oct 2017)	Technical Services	Yes
Mr. H Basson (appointed Jan 2018)	Technical Services	Yes
Mr. C Onrust	Community Services	Yes

Table 28.: Administrative Governance Structure

2.5.3 Article 32 Committee

Legislation Associated with the section 32 Committee

Section 32 (2) (b) of the MFMA stipulates that council must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for the expenditure unless the expenditure, after investigation by a council committee (hereinafter referred to as the Section 32 committee), has been certified by the council as irrecoverable and written off by the council. Unauthorised expenditure can however also be authorised in terms of an adjustment budget and in this case the section 32 committee is not involved.

Expenditure refers to the use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy.

Objectives of the Section 32 Committee

The objectives of the section 32 is to: –

- investigate the circumstances of unauthorised, irregular, fruitless and wasteful expenditure;
- based on the facts revealed by the investigation, consider whether the Municipality received value or suffered any loss;
- conclude that, where the Municipality: -

- i. received value and suffered no loss, that a claim against the official/ councillor concerned would not succeed and that no further steps be taken, or
- ii. received no value and suffered loss, that a claim against the official/ councillor for the recovery of such loss be instituted;- and □ Report to council with recommendations.

Purpose and responsibility of the Section 32 committee

The purpose of section 32(2) is not punitive.

Its responsibility is to deal with possible losses by the municipality; this is confirmed by section 32(2) (a)^[1] of the MFMA which makes it possible for unauthorised expenditure to be regularised by subsequent authorisation.

Punitive action may be necessary in respect of unauthorised expenditure [32(2) (a)], but is always necessary in terms of irregular or fruitless and wasteful expenditure [32(2) (b)] and it is the responsibility of the Accounting Officer or Council to take punitive steps and not the section 32 committee.

The Committee does not write off expenditure and it would also not regularise the expenditure. The expenditure could be regularised only in terms of either the SCM Policy (in line with reg. 36) or section 170 of the MFMA.

The authority of the Section 32 committee

- a) The Section 32 committee have a mandate to interview any relevant person and to obtain all relevant documentation from any official or councillor that may assist with the investigations.
- b) The Section 32 committee the authority to terminate an investigation if there are no grounds to support the allegations.
- c) The Section 32 committee will submit a report on the findings and recommendation of the committee to Council after completion of its investigation. Should an urgent report have to be submitted, the Chairperson will arrange accordingly with the Speaker.

^[1] A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure, in the case of unauthorised expenditure is-

- (a) (i) authorised in an adjustments budget; or (ii) certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and
- (b) in the case of irregular or fruitless and wasteful expenditure, certified by the council as irrecoverable and written off by the council.

- d) If the Speaker is implicated, the Section 32 committee Chairperson will submit a report on the findings and recommendation of the committee to the Council meeting after completion of its investigation and in consultation with the Acting Speaker. Should an urgent report have to be submitted, the Chairperson will also arrange accordingly with the Acting Speaker.

Organisational Arrangements and procedures

- a) Council appoints the members of the Section 32 committee.
- b) The Chairperson of the Section 32 committee will decide on the dates, time and venue of the meetings of the Section 32 committee.
- c) The quorum of the Section 32 committee is the Chairperson plus at least one member.
- d) If the Chairperson is implicated, the Council will appoint an acting Chairperson.
- e) The committee is further guided by MFMA circular 68 on processes and procedures.
- f) The Manager: Legal and Administration Services will dedicate staff for the secretarial function.
- The meetings of the committee will be recorded and minuted by the secretariat.

Reporting Requirements

The Section 32 Committee reports regularly to council on any findings with recommendations.

The Section 32 Committee meetings held during the 2017/18 financial year:

Date of meeting of Section 32 Committee	Unauthorised, Irregular, Wasteful, fruitless	Description	Amount	Write-off / Liability	Consequence Management	Date of Council resolution
21.06.2018	Irregular expenditure	Payment of Acting Allowance	R79 513, 50	Write off , no official liable No official is liable in law for the expenditure		25.07.2018
21.06.2018	Unauthorized expenditure Fruitless and wasteful expenditure	Public Safety Water losses	R11 404 393	Write off, No person can be held liable for expenses	Water losses above the threshold not be construed as such in future	25.07.2018
21.06.2018	Fruitless and wasteful expenditure	Subscription payment to Telkom for switchboard not used	R255 338, 50	Write off No official liable due to an honest mis-understanding	Strict Consequence Management be adhered to in future Procedures and processes are in place to prevent a similar occurrence in the future	25.07.2018

Date of meeting of Section 32 Committee	Unauthorised, Irregular, Wasteful, fruitless	Description	Amount	Write-off / Liability	Consequence Management	Date of Council resolution
21.06.2018	Fruitless and wasteful expenditure	Subscription payment for unused lines	R153 690,67	Written off and irrecoverable No official be held liable	Strict Consequence Management be adhered to in future Procedures and processes are in place to prevent a similar occurrence in the future	25.07.2018
21.06.2018	Irregular expenditure	Administrative irregularities in Telecommunication tender (VOX)	R1 150 976,20	Irrecoverable and write off No official be held liable	Procedures and processes are in place to prevent a similar occurrence in the future	25.07.2018
21.06.2018	Irregular expenditure	Adopting alternative solution from VOX	R1 150 976,20	Write off No official be held liable	The Accounting Officer to address and control weakness that the BAC and SCMU are formally informed when BAC decisions are augmented to reflect mutual understanding between parties Procedures and processes are in place to prevent a similar occurrence in the future	25.07.2018

The Section 32 Committee members are as follows:

Cllr T van den Berg (Chairperson)

Cllr C Taute

Cllr T van Rensburg

Mr J Jacobs (MM)

Ms L Viljoen (CFO)

Mr D Lewis (Legal Services)

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.6 Intergovernmental Relations

2.6.1 National Intergovernmental Structures

Hessequa Local Municipality does from time to time attend National Inter-Governmental Meetings. These however are kept to a minimum to save on travel costs. When national meetings are held in the Western Cape, they are attended if the agenda justifies attendance. Hessequa is very conservative with travel and subsistence expenditure. Hessequa also do take part in National Competitions and only attend such functions where we are finalists. The Housing and Green Energy Awards are examples of such events. Otherwise, SALGA represents the Western Cape and Hessequa in national issues.

2.6.2 Provincial Intergovernmental Structures

Provincial SALGA meetings are attended diligently as well as meetings held and hosted by all Provincial Departments. The meetings hosted by the Premier and MEC members are also attended. We have a good working relationship with our provincial departments, especially the Provincial Treasury and the Department of Local Government and Housing. The Municipal Manager attends the Western Cape Municipal Managers Forum.

2.6.3 District Intergovernmental Structures

Hessequa Local Municipality is a member of the Eden District Municipality. Multiple district forums and meetings are attended and information, strategies and best practice models, are shared amongst each other.

Hessequa Local Municipality is a member of the Eden District Municipality. Multiple district forums and meetings are attended and information, strategies and best practice models, are shared amongst each other.

The following forums are active in our district;

Name of Forum	Frequency of Meetings
• Integrated Communications and Technology	Quarterly
• District IDP Managers Forum	Quarterly
• District Coordinating Forum (DCF)	Quarterly
• LED Managers Forum	Quarterly
• Municipal Managers Forum (MMF)	Quarterly
• Public Transport Technical Steering Committee	Quarterly
• Public Participation and Communication Forum	Quarterly
• Eden Disaster management Forum	Quarterly
• Town Engineers Bulk Infrastructure Forum	Quarterly
• District GIS Forum	Quarterly
• Internal Audit and Risk Management Forum	Quarterly
• Local Tourism Forum	Quarterly
• Regional Skills Development Facilitators Forum	Quarterly



• Labour Relations Forum	Quarterly
• Legal Advisors Forum	Bi - Monthly
• Eden Central Karoo HR Forum	Bi - Monthly
• Eden Waste Management	Bi - Monthly

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the Municipal Systems Act 2000 (MSA) provides for a municipality to develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- the preparation, implementation and review of the IDP and review of Spatial Development Framework (SDF);
- establishment, implementation and review of the performance management system;
- monitoring and review of the performance, including the outcomes and impact of such performance; and
- input to the municipal budget.

2.7 Public Meetings

Public communication and participatory initiatives employed by the municipality include the following:

Public Meeting	Description and feedback given to community
IDP	Preparation, implementation and workshop of IDP and review of the Spatial Development Framework(SDF)
Municipal Budget	Comments and feedback required from public for yearly budget review
Mayoral Outreaches	Municipality communicate its programmes and progress directly to the public and receive feedback on service delivery, listen to concerns, grievances and advice on progress and direction of government work.
Environmental Education	Department Environmental Services works together with Cape Nature to promote a litter free community. Facilitate educational puppet shows to educate primary school children on litter and the effects on the community
Jamborees	Jamborees are held every second month on a rotation schedule in different towns to bring governmental services to the community.
By-Law Policies	All by-laws are submitted for public comment and recommendations through public meetings and advertisement
Eden FM	Regular timeslots on Eden FM, between 17h00 – 17h30 to address pressing issues arising within the municipality.
Environmental Advisory Forums	Stilbaai Environmental Advisory Forum (EAF), Gouritsmond EAF and Witsand/Grootvadersbosch EAF are involved in the management of all protected areas. All conservation projects and initiatives are overseen by these platforms



Municipal Services Act (MSA) Article 17(4) Forums

Economic Development Advisory Forum, Social Development Advisory Forum, all meet on a quarterly basis with reports from relevant departments.

Table 29.: Public Meetings

2.7.1 Ward Committees

Ward committees are established in terms of Section 72 and 73 of the Local Government: Municipal Structures Act 1998. As a formal mechanism of public participation, ward committees are seen as a vital platform to ensure that the municipal council creates an environment where communities can participate in the affairs of local government.

Ward committees can be involved in various processes within the municipality, including integrated development planning, budgeting and performance monitoring. Except for marginal involvement currently within these processes, Hessequa Municipality primarily utilises ward committees for comment and advice to various items presented to Council for decisions. This relates to any project / program that impacts on a ward, or all wards, and need public input. In itself this is of great value to the municipal decision-making process and is managed formally through the administration office of the municipality.

The ward committee support the Ward Councillor who receives reports on development, participate in development planning processes, and facilitate wider community participation. To this end, the municipality constantly strives to ensure that all ward committees function optimally with community information provision; convening of meetings; ward planning; service delivery; IDP formulation and performance feedback to communities.

The above-mentioned examples are not the full extent of the roles and responsibilities that ward committee members play within the public participation processes of council, but are they a reflection of the implementation methodology that Council employed during the reporting period of this annual report.

A. Ward 1: Bietouville, Gouritsmond, Melkhoutfontein, Stilbaai East and Rural farming areas

Ward 1 consists of Bietouville, Gouritsmond, Melkhoutfontein, Stilbaai East, Part of Stilbaai West and rural farming areas.

Name of representative	Capacity representing	Dates of meetings held during the year
CLlr B Smith	Chairperson	24 August 2017 21 September 2017 23 November 2017
NT Oosthuizen	Member	
JG du Plessis (since Sept 2017)	Member	
R Davids (until August 2017)	Member	



Name of representative	Capacity representing	Dates of meetings held during the year
D Serfontein(until February 2018)	Member	22 February 2018 24 May 2018
L de Necker (since May 2018)	Member	
B Steyn	Member	
BE Prins	Member	

Table 30.: Ward 1 Committee Meetings

B. Ward 2: Albertinia, Theronville, Rainbow Village and rural farming areas

Ward 2 comprises of Albertinia town and northern rural areas. Ward 2 also includes a higher population density rural area like Klipfontein.

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr IT Mangaliso	Chairperson	28 August 2017 21 September 2017 23 November 2017 22 February 2018 31 May 2018 21 June 2018
EC Prins	Member	
D Nomdo	Member	
E Tarentaal	Member	
E Saayman	Member	
FJ Pietersen	Member	
R Briel	Member	
RC Buys	Member	

Table 31.: Ward 2 Committee Meetings

C. Ward 3: Vermaaklikheid, Jongensfontein, Stilbaai-west and rural farming areas

Ward 3 is a large rural area that stretches from the Goukouriver mouth to about halfway between Jongensfontein and Witsand. It includes Stilbaai-west, Jongensfontein and the rural community of Vermaaklikheid.

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr T van den Berg	Chairperson	24 August 2017 21 September 2017 23 November 2017 22 February 2018 24 May 2018
N Palmer	Member	
J Willemse	Member	
R Pretorius	Member	

Table 32.: Ward 3 Committee Meetings

D. Ward 4: Witsand, Joe-Slovo, Slangrivier, Heidelberg and surrounding farms

Ward 4 includes a relatively large rural area surrounding Witsand, Slangrivier and the Heidelberg area. It's boundary towards the west is the municipal boundary to the east it borders Ward 3 and stretches from the coast in the south to the N2 on the northern boundary. As mentioned Witsand

is included as well as Slangrivier and a relatively large portion of Heidelberg town known as Diepkloof

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr T Pretorius	Chairperson	20 July 2017 24 August 2017 23 November 2017 22 February 2018 (not a quorum) 24 May 2018
MC Damons	Member	
C Skietekat	Member	
N Pietersen	Member	
L Schüller	Member	
GL Hartman	Member	
J Filander (Left April 2017)	Member	

Table 33.: Ward 4 Committee Meetings

E. Ward 5: South -east Heidelberg

The ward consists mostly out of the Heidelberg urban area with a small piece of rural area included towards the North-west of the town.

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr JE Gelderbloem	Chairperson	23 August 2017 (not a quorum) 21 September 2017 19 October 2017 23 November 2017 (not a quorum) 22 February 2018 24 May 2018
V van Niekerk	Member	
P Hunter	Member	
T February	Member	
D du Toit	Member	
W Fielies	Member	
L Meyers	Member	

Table 34.: Ward 5 Committee Meetings

F. Ward 6: Part of Riversdale and rural areas

Ward 6 forms part of Riversdale and includes a small rural area (Kruisrivier) within its borders. The largest portion of ward 6's residents are located in Riversdale by being separated from the rest of the town by the railway line and Main Street on the western border. The rural area of ward 6 has a few concentrated farming areas.

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr NA Joseph	Chairperson	21 September 2017 23 November 2017 22 February 2018 26 April 2018 24 May 2018 (not a quorum) 21 June 2018
N Jutta	Member	
C Bokwana	Member	
R Baker	Member	
M de Villiers	Member	
V Kleinbooi	Member	
J Daries	Member	

Table 35.: Ward 6 Committee Meetings

G. Ward 7: Riversdale, Aalwynfleur, Kwanokuthula, Plankiesdorp and rural areas

The rural area that is included within ward 7 is towards the south-western side of Riversdale and continues north over the Langeberg mountain range and includes all rural areas of the Hessequa municipal area on the northern border behind the mountain range. Thus, it consists of a substantial number of rural residents. Coming to its urban components, it includes a large part of Riversdale's centre of commerce and continues towards the north-westerly residential areas known as Aalwynfleur and surrounding areas. Another urban settlement was included in ward 7 and is known as Kwanokuthula which is primarily a formal residential area where almost all residents are indigent.

Name of representative	Capacity representing	Dates of meetings held during the year
Cllr ME Dayimani	Chairperson	24 August 2017 21 September 2017 23 November 2017 22 February 2018 22 March 2018 24 May 2018
A Prins	Member	
H Stroebe	Member	
K Victor	Member	
F Thiar	Member	
J Bosman	Member	
A Daniels	Member	
M Macewan	Member	

Table 36.: Ward 7 Committee Meetings

H. Ward 8: Aloeridge, Môrestond, Panorama, Beverley Hills and Melrose Place

Even though the ward does include a small area of non-urban land, it has very few residents in that part of the ward. The relatively high density communities of Môrestond, Aloeridge and Panorama are the urban areas that house the relatively poor residents.

Name of representative	Capacity representing	Dates of meetings held during the year
CLlr C Taute	Chairperson	24 August 2017 21 September 2017 23 November 2017 22 February 2018 24 May 2018 21 June 2018
M Snyers	Member	
K Saayman	Member	
J van Staden	Member	
F Adams	Member	
K Adolf	Member	
L Elbrink (Evertse)	Member	
S Damons	Member	
R Johnson (left January 2018) Q Esau (Since February 2018)	Member	

Table 37.: Ward 8 Committee Meetings

I. Ward 9: Heidelberg town and rural areas

Ward 9 is the newly demarcated ward since the 2016 elections and does it consist of the larger part of Heidelberg town, North-west of the N2 that divides the town in two sections. It also contains the rural area surrounding Heidelberg towards the northern border of Hessequa and Municipal border to the West.

Name of representative	Capacity representing	Dates of meetings held during the year
CLlr SM Odendaal	Chairperson	20 July 2017 (not a quorum) 24 August 2017 21 September 2017 (not a quorum) 23 November 2017 (not a quorum) 22 February 2018 24 May 2018 (not a quorum) 21 June 2018
P Daries	Member	
D Erasmus	Member	
B Dell	Member	
A de Waal	Member	
NP Mlambo	Member	
D Oosthuizen	Member	

Table 38.: Ward 8 Committee Meetings

2.7.2 Functionality of Ward Committees

The purpose of a ward committee is:

- to get better participation from the community to inform Council decisions;
- to make sure that there is more effective communication between the Council and the community; and
- to assist the ward councillor with consultation and report-backs to the community.

Ward committees should be elected by the community they serve. A ward committee may not have more than 10 members and should be representative irrespective of political affiliation. The ward councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers, they through the minutes of their meetings advise the ward councillor who makes specific submissions directly to the Council and the Municipal Manager. These committees play a very important role in the development and annual revision of the integrated development plan of the area.

2.7.3 Labour Forum

The Local Labour Forum is a structure created in terms of the Labour Relations Act (1995) and functions under the auspices of the South African Local Government Bargaining Council (SALGBC). The function of the Forum is to create a platform where matters of mutual interest between the Trade Unions and the Employer can be discussed. The powers and functions of the Forum is limited to matters that do not fall within the scope of either Provincial and/or National collective bargaining. It is mainly a consultative forum. The table below specifies the members of the Labour Forum for the 2017/18 financial year:

Name of representative	Capacity	Meeting dates
July 2017 – December 2017		
G Riddles	Councillor	15 August 2017 14 September 2017 05 October 2017 09 November 2017
ME Dayimani	Councillor	
JL Hartnick	Councillor	
T Pretorius	Councillor	
B Smith	Councillor	
J Jacobs (Chairperson)	Employer	
AM Griesel	Employer	
AJ Oelofse	Employer	
M Cronje	Employer	
D Lewis	Employer	
J Paige	SAMWU	
J Saayman	SAMWU	
J Nomdo	SAMWU	
S Sibotoboto	SAMWU	
S Motha	SAMWU	
E Hobson	IMATU	



Name of representative	Capacity	Meeting dates
July 2017 – December 2017		
F Rust	IMATU	
J Myburgh	IMATU	
E Esau	IMATU	
R Fernandez (since November 2017)	IMATU	

Name of representative	Capacity	Meeting dates
January 2018 - June 2018		
G Riddles	Councillor	08 March 2018 16 April 2018 07 May 2018
ME Dayimani	Councillor	
JL Hartnick	Councillor	
T Pretorius	Councillor	
B Smith	Councillor	
J Jacobs (Chairperson up to March 2017)	Employer	
AM Griesel	Employer	
AJ Oelofse	Employer	
M Cronje	Employer	
D Lewis	Employer	
J Paige	SAMWU	
J Saayman	SAMWU	
J Nomdo	SAMWU	
S Sibotoboto	SAMWU	
S Motha	SAMWU	
E Hobson	IMATU	
F Rust	IMATU	
J Myburgh (elected as Chairperson during March meeting)	IMATU	
E Esau	IMATU	
R Fernandez (since November 2017)	IMATU	

Table 39.: Labour Forum

2.7.4 Mayoral Outreaches

The Mayoral Outreaches gave further effect and concrete expression to participatory democracy so that communities can exercise their rights to be heard, and assist with the national effort to build a better life for all. It is a platform for enhancing dialogue and interaction between senior government executives and ordinary people and provides an opportunity for Council to communicate its programmes and progress directly to the people. It also promotes participation of the public in the programmes to improve their lives. Interaction through the mayoral outreaches highlights particular problems that needed attention, blockages in implementation of policy, or policy areas that may need review. It draws public input into how best to tackle challenges and gives Council and Senior Management direct

access to what people say and feel about government and service delivery, to listen to their concerns, their grievances and advice about the progress and direction of Council's work. The table below provides the details of the mayoral outreaches that were held during the 2017/18 financial year:

Dates of events	Reason for Engagement	Place where event was held
18 April – 2 May 2018	Draft IDP & Budget	Gouritsmond; Albertinia; Witsand; Slangrivier; Stilbaai; Melkhoutfontein; Heidelberg; Riversdale

Table 40.: Mayoral Outreaches during 2017/18

COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationship among the many stakeholders involved and the strategic goals that leads the institution.

2.8 Risk Management

The Municipality is required by the Municipal Finance Management Act (No 56 of 2003) to have a risk management system in place. The legislation specifically reads under section 62 as follows:

(1) The Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure - (c) that the municipality has and maintains effective, efficient and transparent systems - (i) of financial and risk management and internal control; and

In this regard the Provincial Treasury's Governance Unit has provided support and helped Hessequa develop a Risk Management Strategy, Policy and Implementation Plan. The Head of Strategic Services has been tasked to take responsibility for Enterprise Risk Management and the Senior Management Team is assigned as the Risk Oversight Committee. In addition, they are also the Risk Champion for their respective Departments. Council approved the reviewed risk management policy and inclusive to the policy also reviewed the risk appetite for the municipality. The key changes to the policy content was to enforce the development of Risk Action Plans and the review of progress in terms of the action plans.

2.9 Anti-Fraud and Anti-Corruption

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management of 2003 (MFMA), section 112(1) (m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

a) Developed Strategies

Name of strategy	Developed Yes/No	Date Adopted/Reviewed
Anti-corruption strategy	Yes	July 2007

Table 41.: Strategies developed

2.10 Audit Committee

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must - (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –

- internal financial control;
- risk management;
- performance management; and
- effective governance.

a) Functions of the Audit Committee

The Council decided on 22 July 2010 that the Audit Committee will also act as the Performance Committee. Their main functions include:

- To advise Council on all matters related to compliance and effective governance.
- To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DORA) and other applicable legislation.
- Respond to Council on any issues raised by the Auditor-General in the audit report.
- To review the quarterly reports submitted to it by the internal audit.
- To evaluate audit reports pertaining to financial, administrative and technical systems.
- The compilation of reports to Council, at least twice during a financial year.
- To review the performance management system and make recommendations in this regard to Council.
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimised.

- To review the annual report of the municipality.
- Review the plans of the internal audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
- Provide support to the internal audit function.
- Ensure that no restrictions or limitations are placed on the Internal Audit Section.
- Evaluate the activities of the internal audit function in terms of their role as prescribed by legislation.

In terms of Section 14(4) (a) of the Municipal Planning and Performance Management Regulations 2001, the performance audit committee has the responsibility to -

- review the quarterly reports produced and submitted by the internal audit process;
- review the municipality's performance management system and make recommendations in this regard to Council of the municipality; and
- at least twice during each financial year submit a performance audit report to the Council of the municipality.

b) Members of the Audit Committee

Name of representative	Capacity	Meeting dates
Prof PJ du Plessis	Chairperson (Member Performance)	31 August 2017 31 August 2017 (Financial Statements) 21 November 2017 19 February 2018 10 May 2018
Mr. KG Herbst	Member	
Mr. FH Zietsman	Member	
Mrs. S van Jaarsveld	Member	
Mr F Hartnick	Member (Resigned Jan 2018)	
Mrs A Hartnick	Member (appointed May 2018)	

Table 42.: Members: Audit Committee

2.11 Internal Auditing

Section 165 (2) (a), (b) (iv) of the MFMA requires that:

The internal audit unit of a municipality must –

- prepare a risk based audit plan and an internal audit program for each financial year; and
- advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:
risk and risk management.

The internal audit function is performed internally and consists of two staff members. Below are the functions of the Internal Audit Unit that was performed during the financial year under review:

Function	Date/Number
Risk analysis completed/reviewed	November 2017
Risk based audit plan approved for 2017/18 financial year	10 May 2018
Internal audit programme drafted and approved	8
Number of audits conducted and reported on	8
Audit reports included the following key focus areas:	
Internal controls Accounting procedures and practices Risk and risk management Performance management Loss control Compliance with the MFMA and other legislation	

1. *Internal Audit Functions*

a) Annual Audit Plan

The Risk Based Audit Plan for 2017/2018 was implemented 100% with available resources. The plan was amended due to the different working procedures of the newly appointed Internal Auditor. The table below provides detail on audits completed:

Description			No of Hours	Date completed
Phase 1				
Revisiting current risk profile and priorities			80	May 2018
Phase 2				
Compiling Risk Based Audit Plan			20	May 2018
Phase 3				
Audit Engagement	Departmental System	Detail	No of Hours	Date completed
Sewerage and Pollution	Technical Services	The following controls and processes have been checked: 1. Compliance 2. Contingency Plans 3. Budget 4. Maintenance and Monitoring of Sewerage Infrastructure	160	August 2017
Fuel Purchases	Technical Services	The following controls and processes have been checked. 1. Compliance 2. Access Control 3. Log books review 4. Segregation of duties 5. Management of Fuel Purchases 6. Documentation review	120	October 2017
Disaster Management	Community Services	The following controls and processes have been checked. 1. Compliance 2. Reporting 3. Training and Awareness	160	November 2017



Description			No of Hours	Date completed
		4. Hazardous Identification 5. Documentation review		
Council Decisions	Corporate Services	The following controls and processes have been checked. 1. Collaborator 2. Timely Execution of Council Decisions	120	January 2017
Housing Allocations	Community Services	The following controls and processes have been checked. 1. Archive controls 2. Housing Developments 3. Segregation of duties 4. Housing Allocations 5. Housing Waiting List	160	April 2018
Supply Chain Management	Financial Services	The following controls and processes have been checked. 1. Compliance 2. Segregation of duties 3. Suppliers Management 4. Contracts	160	May 2018
Income	Financial Services	The following controls and processes have been checked. 1. Billings 2. Tariffs 3. Segregation of duties 4. Compliance 5. Documentation review	160	June 2018
Follow-up audits	Various	Follow up on audits above	120	June 2018
Total Hours			980	

Table 43.: Internal Audit Coverage Plan

2.12 By-laws

Section 11 of the MSA gives a council the executive and legislative authority to pass and implement by-laws and policies.

By-laws currently in force and not amended during the financial year:

By-laws in force and not amended in 2017/2018
Customer Care & Revenue Management
Electricity Supply
Commonage
Disposal of Solid Waste
Sport Facilities
Airfields

By-laws in force and not amended in 2017/2018
Water and Sanitation
Cemeteries and Crematoria
Air Pollution
Fencing and Fences
Irrigation Water
Outdoor Advertising
Public Amenities
Prevention of Public Nuisance and Public Nuisances arising from the Keeping of Animals
Roads and Streets
Street Trading
Storm Water Management
Water Supply, Sanitation and Industrial Effluent
Fire Works
River Management
Heritage Resources and Cultural Institutions
Order Rules Relating to Meetings
Fire Safety
Events
Tariffs
Rates
Municipal Land Use Planning

Table 44.: By-laws enforce and not amended

By-laws reviewed and adopted with amendments, during the financial year:

By-laws revised	Date adopted/reviewed by Council	Public Participation Conducted Prior to adoption of By-Laws Yes/No	Date of Publication in Government Gazette
Impoundment of Animals	27/06/2018	Yes	29/06/2018
Public Busses and Taxis	27/06/2018	Yes	29/06/2018

Table 45.: By-laws adopted with amendments

Policies developed and reviewed during the financial year:

Policies developed/ revised	Date adopted by Council
E-wallet policy	September 2017

Policies developed/ revised	Date adopted by Council
Policy on existing rules and procedures regarding disciplinary matters regarding councillors	March 2018
Recruitment and selection policy	June 2018
Transport allowance and remuneration policy	June 2018
Leave policy	June 2018
Client service policy and service standards	June 2018
Policy for planting, trimming ,pruning and managing trees	June 2018
Small scale embedded generation policy	June 2018
EFT policy	June 2018
ICT Governance framework & related policy	June 2018

Table 46.: Policies developed and reviewed

2.13 Communication

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa Act 1996 and other statutory enactments all impose an obligation on local government communicators and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

The communities, on the other hand, have a right and a responsibility to participate in local government affairs and decision-making and ample provision is made in the abovementioned legislation for them to exercise their right in this respect. Our democratic government is committed to the principles of ***Batho Pele*** and this, in simple terms, means that those we elect to represent us (councillors at municipal level) and those who are employed to serve us (the municipal officials at municipal level) must always put people first in what they do.

South Africa has adopted a system of developmental local government, which addresses the inequalities, and backlogs of the past while ensuring that everyone has access to basic services, to opportunities and an improved quality of life.

To be successful, communications must focus on the issues that are shown to impact on the residents' perceptions, quality of service, value for money and efficiencies. They should ideally look to close the communication-consultation loop, i.e. tell people how they can have a say and demonstrate how those who have given their views have had a real impact.

Below is a communication checklist of the compliance to the communication requirements:

Communication activities	Yes/No
Communication unit	Yes
Communication strategy	Yes, the communication strategy forms part of the communication policy
Communication Policy	Yes
Communication Satisfaction Survey	Yes
Functional complaint management systems	Yes
Newsletters distributed at least quarterly	Yes – monthly newsletter

Table 47.: Communications Activities

2.14 Website

A municipal website should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets and budget related documents and policies.

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

Documents published on the Municipal website	Published Yes/No
Current annual and adjustments budgets and all budget-related documents, including SDBIP	Yes
Tariff policy	Yes
Credit control policy	Yes
Rates policy	Yes
SCM policy	Yes
Annual report for 2015/16	Yes
Annual Financial Statements for 2016/17	Yes
All service delivery agreements for 2016/17	No, Supply Chain Management indicated that service delivery agreements are marked as confidential and not made public
All supply chain management contracts above the prescribed value for 2016/17	Yes
Performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act for 2016/17	Yes

Documents published on the Municipal website	Published Yes/No
All quarterly reports tabled in the Council in terms of section 52 (d) of the MFMA during 2016/17	Yes

Table 48.: Documents published on the Municipal Website

2.15 Supply Chain Management

2.15.1 Competitive Bids in Excess of R200 000

a) Bid Committee

The following table details the number of Bid Committee meetings held for the 2017/18 financial year:

Goods and Services

GOODS AND SERVICES		
Bid Specification Committee	Bid Evaluation Committee	Bid Adjudication Committee
23	28	39
INFRASTRUCTURE		
Bid Specification Committee	Bid Evaluation Committee	Bid Adjudication Committee
12	15	14

Table 49.: Bid Committee Meetings

The attendance figures of fixed members of the Bid Specification Committee are as follows:

Goods and Services

Member	Number of meetings Attended	% of Meetings Attended
H. Visser	22 out of 24	91.66%
F. Bergh	12 out of 24	50.00%
A. Carelse	1 out of 1	100%
J.A. Thyse	9 out of 10	90.00%
H.J. Pienaar	11 out of 14	78.57%
N. La Grange	12 out of 13	92.31%

Infrastructure

Member	Number of meetings Attended	% of Meetings Attended
H. Basson	6 out of 11	54.54%
H. Visser	9 out of 11	81.81%
F. Bergh	9 out of 11	81.81%
J.A. Thyse	9 out of 9	100.00%
H.J. Pienaar	9 out of 12	75.00%
N. La Grange	2 out of 2	100.00%

Table 50.: Attendance of members of bid specification committee

The attendance figures of members per directorate of the Bid Specification Committee are as follows:	
Goods and Services	
Member	Attendance
TECHNICAL SERVICES	
A. Hansen	1
H. Thesner	4
J. Solomons	2
FINANCIAL SERVICES	
L. Saayman	2
CORPORATE SERVICES	
A. Kleynhans	8
A. Oelofse	2
E. Smit	1
J.S. Smit	4
J. Kleinhans	4
K. van Eck	1
J. Morwagaye	1
COMMUNITY SERVICES	
C. Onrust	5
A. Voss	4
R. Heunis	1
PLANNING AND ENVIRONMENTAL SERVICES	
None	
OFFICE OF THE MUNICIPAL MANAGER	
L. De Villiers	1

Table 51.: Attendance of members of bid specification committee

Member	Attendance
TECHNICAL SERVICES	
A. Hansen	1
S. Kennedy	8
J. Lesch	2
J. Solomons	3

Member	Attendance
CORPORATE SERVICES	
A. Kleynhans	1

Table 52.: Number of meetings attended of members of bid specification committee as required for their specific tender

The attendance figures of fixed members of the bid evaluation committee are as follows:

Member	Attendance	% of Meetings Attended
M. Griesel	23	85.19%
C. Onrust	1 out of 1	100%
F. Bergh	18	66.67%
A. Carelse	23	85.19%

Table 53.: Attendance of fixed members of bid specification committee

The attendance figures of members of the bid evaluation committee per directorate are as follows:

Goods and Services

Member	Attendance
TECHNICAL SERVICES	
H. Thesner	5
J. Lesch	1
FINANCIAL SERVICES	
L. Saayman	3
CORPORATE SERVICES	
A. Kleynhans	3
N. Laubscher	1
J. Kleinhans	1
COMMUNITY SERVICES	
A.R. Voss	2
PLANNING AND ENVIRONMENTAL SERVICES	
H. Visser	3
OFFICE OF THE MUNICIPAL MANAGER	
L. De Villiers	2

Infrastructure

Member	Attendance
TECHNICAL SERVICES	
S. Kennedy	11
A. Hansen	1



Member	Attendance
J. Solomons	2
J. Lesch	1
CORPORATE SERVICES	
A. Kleynhans	1

Table 54.: Number of meetings attended of members of bid evaluation committee as required for their specific tender

The attendance figures of the full-time members of the bid adjudication committee are as follows:

Goods and Services

Member	Attendance	% of Meetings Attended
L. Viljoen	7	17.9%
T. Maddison	38	97.4%
A. Carelse	24 out of 29	85.7%
H. Visser	23	58.9%
C. Onrust	32	82.00%
H. Pienaar	9 out of 10	90.00%

Infrastructure

Member	Attendance	% of Meetings Attended
L. Viljoen	4	28.5%
T. Maddison	14	100.00%
A. Carelse	10	71.40%
H. Visser	7	50.00%
C. Onrust	13	72.8%

Table 55.: Bid Adjudication Committee Meetings

b) Awards Made by the Bid Adjudication Committee

The ten highest bids awarded by the bid adjudication committee are as follows:

Bid number	Title of bid	Directorate and section	Successful Bidder	Value of bid awarded (Vat Excl.)(R)
HES-TECH 06/1718	UPGRADING OF WATERMAINS IN STILL BAY, JONGENSTONTEIN, MELKHOUTFONTEIN AND HEIDELBERG	TECHNICAL SERVICES	BENVER CIVILS & PLANT HIRE	R 6 052 006.80
HES-EL 07/1718	ELECTRICAL CAPITAL PROJECTS 2017/18 FOR RIVERSDALE, HEIDELBERG AND WITSAND	TECHNICAL SERVICES	VE RETICULATION (PTY) LTD	R 5 485 000.00
HES-PLAN 01/1718	ALIENATION OF A PORTION OF ERF 657, STILL BAY-WEST FOR THE DEVELOPMENT OF A RETIREMENT VILLAGE	TECHNICAL SERVICES	ELLENSRUST EIENDOMME CC	R 5 256 000.00
HES-TECH 07/1718	UPGRADING OF BULK WATER INFRASTRUCTURE IN THE HESSEQUA MUNICIPAL AREA - STILL BAY: PHASE 1	TECHNICAL SERVICES	PHAMBILI CIVILS	R 4 656 125.00
HES-TECH 08/1718	UPGRADING OF BULK SEWER INFRASTRUCTURE IN THE HESSEQUA MUNICIPAL AREA - STILL BAY: PHASE 1	TECHNICAL SERVICES	URHWEBO E-TRANSAND	R 4 435 499.94
HES-TECH 02/1718	UPGRADING OF STREETS AND STORMWATER IN THE HESSEQUA MUNICIPAL AREA	TECHNICAL SERVICES	ENTSHA HENRA (PTY) LTD	R 3 998 034.92
HES-EL 08/1718	ELECTRICAL CAPITAL PROJECTS 2017/2018 FOR STILL BAY, GOURITSMOND AND ALBERTINIA	TECHNICAL SERVICES	MDL ENGINEERING COMPANY (PTY) LTD	R 2 165 251.00
HES-TECH 11/1718	IMPROVEMENT OF WATER QUALITY IN GOURITSMOND AND PROVISION OF ADDITIONAL STORAGE CAPACITY	TECHNICAL SERVICES	IKUSASA CHEMICALS (PTY) LTD	R 1 703 701.14
HES-TECH 09/1718	UPGRADING OF WASTE WATER INLETWORKS AND PRIMARY DAM IN GOURITSMOND	TECHNICAL SERVICES	BENVER CIVILS AND PLANT HIRE	R 1 556 495.60
HES-EL 02/1718	SUPPLY AND DELIVERY OF ONE (1) NEW REFUSE COMPACTOR	TECHNICAL SERVICES	SHORTS NISSAN CC	R 1 329 235.00

Table 56.: Ten highest bids awarded by bid adjudication committee

c) Awards Made by the Accounting Officer

Bids awarded by the Accounting Officer are as follows:

Bid number	Title of bid	Directorate and section	Successful Bidder	Value of bid awarded R (EXCL. VAT)
NONE				

Table 57.: Awards made by Accounting Officer

d) Objections lodged by aggrieved bidders

Nine (9) objections and one (1) appeal were lodged by aggrieved bidders on awards made in terms of regulation 49 of the Municipal Finance Management Act: Supply Chain Management Regulations of 2005 of which one objection were upheld.

2.15.2 Deviations from normal procurement processes

The following table provides a summary of deviations approved during the financial year

Type of deviation	Number of deviations	Value of deviations R	Percentage of total deviations value
<R2 000	466	R 537 906,37	2,053%
Sole Supplier	7	R 145 772,01	0,56%
Emergency	260	R 196 269,89	0,75%
Exceptional Circumstances	199	R 195 864,47	0,75%
R2 000 – R30 000	329	R 2 509 487,52	9,58%
Sole Supplier	8	R 94 687,46	0,36%4
Emergency	124	R 738 211,63	2,82%9
Exceptional Circumstances	197	R 1 676 588,43	6,40%
R30 000 – R200 000	61	R 4 518 229,95	17,25%
Sole Supplier	6	R 511 299,32	1,95%
Emergency	5	R 363 041,79	1,39%
Exceptional Circumstances	50	R 3 643 888,84	13,91%
>R200 000	13	R 18 626 314,70	71,11%
Sole Supplier	1	R 829 477,61	3,17%
Emergency	1	R 229 299,60	0,87%
Exceptional Circumstances	11	R 17 713 849,31	67,63%
Total			100%

Table 58.: Summary of deviations

Chapter 3:

Service Delivery Performance

CHAPTER 3

3.1 Overview of Performance within Hessequa Municipality

Performance Management is a process which measures the implementation of the municipality's strategy. It is also a management tool to assist the municipality with planning, monitoring, measuring and reviewing of performance indicators to ensure effective and efficient service delivery. The approved macro structure of the municipality is displayed in the following table and does it provide alignment between organisational structure and how it gives effect to the vision and Key Performance Areas (KPA's).

Department	Functions	Applicable KPA's
Municipal Manager	Internal Audit	Good Governance and Public Participation
	Strategic & Governance Support	
Finance	Income	Good Governance and Public Participation, Financial Management
	Expenditure	
	Supply Chain Management	
	Budget & Treasury	
	Financial Statements	
Corporate Management	Administration	Good Governance and Public Participation, Financial Management,
	Property Management	
	Human Resource Management	
	Information & Communication Technology	
	Public Relations	
	Legal Services	
	Library Services	
Technical Services	Planning & Project Management	Cost Effective Service Delivery, Environmental Management, Financial Management
	Infrastructure Maintenance	
	Electrical & Mechanical Services	
	Parks & Public Areas	
Community Services	Safety Services	Social and Economic Development
	Human Settlements	
	Social Development	
Development Planning	Spatial Planning	Environmental Management, Social and Economic Development
	Building Control	
	Environmental Management	
	Economic Development & Tourism	

Table 59.: Macro structure

3.1.1 Legislative Requirements

The Municipal Systems Act (MSA) 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery Budget Implementation Plan (SDBIP).

In terms of section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting –

- i. The performance of the municipality and of each external service provider during that financial year;
- ii. A comparison of the performances referred to in paragraph (i) with targets set for and performances in the previous financial year; and
- iii. Measures taken to improve performance.

3.1.2 Performance Management Within Hessequa Municipality

A) Performance Management System

The Performance Management System (PMS) of the municipality is the institutional system that is employed to develop, monitor and evaluate performance of the municipality. The performance management process of Hessequa Municipality is integrated with the IDP and budget. The IDP is the municipal planning stage and the performance management is the implementation, monitoring and evaluation of the IDP.

The reviewed 2012 – 2017 IDP and the Budget for 2017/18 were approved by Council on 30 May 2017. The SDBIP for 2017/18 was approved by the Executive Mayor. Performance agreements with Senior Managers were signed and published on the municipal website. Key Performance Indicators (KPI's) are developed for the Municipal Manager and each Senior Manager reporting to the Municipal Manager. The KPI's are annual measures relating to either a Service Delivery Target or a Financial Revenue or Expenditure target.

Hessequa Municipality utilizes an electronic web based system on which the users update actual performance on a monthly basis, documenting the actual performance, performance comment and remedial actions in the instances where performance targets were not met. A portfolio of evidence is maintained to support actual performance results updated.

3.1.3 National Key Performance Indicators – Municipal Financial Viability and Management (Ratios)

The following table indicates the Municipality's performance in terms of the **National Key Performance Indicators** required in terms of the Local Government: Municipal Planning and Performance Management Regulations of 2001 and section 43 of the Municipal Systems Act (MSA). The key performance indicators are linked to the **National Key Performance Area** Namely **Municipal Financial Viability and Management**

<i>KPA & Indicator</i>	<i>2016/17</i>	<i>2017/18</i>	<i>Comments</i>
<i>Debt Coverage {(Total operating revenue - operating grants received) : debt service payments due within the year}</i>	13.98%	11.41%	<i>Indicates short term debt relative to operating revenue. Norm 45%</i>
<i>Service debtors : revenue (Total outstanding service debtors : revenue received for services)</i>	19.03%	18.52%	<i>Norm is 0%</i>
<i>Cost coverage {(Available cash + investments) : Monthly fixed operating expenditure}</i>	11 days	11.32 days	<i>Indicates the municipality's ability to meet at least its monthly fixed operating commitments. The norm ranges between 1-3 months. Above the Norm</i>

Table 60.: National KPI's for financial viability and management

B) Monitoring and Evaluation of Performance

Performance is monitored and evaluated via the SDBIP and the process can be summarised as follows:

- Two formal performance evaluations (in terms of the signed performance agreements – Mid Year and Final);
- Two informal performance evaluations (quarter 1 and 3); and
- Internal Audit compiles quarter performance reports. The findings are reported to the Performance Audit Committee, bi-annually

3.2 Actual Strategic and Municipal Performance for 2017/18

3.2.1 Overview of Actual Performance for 2017/18

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of IDP outcomes. This section aims to provide an overview on the strategic achievement of the municipality in terms of strategic intent and deliverables as stated in the IDP. In the paragraphs below the performance achieved is illustrated according to the strategic objectives as set out in the IDP. The following table explains the method by which the overall assessment of actual performance against targets set for the key performance indicators (KPI's) of the SDBIP is measured:

Category	Color	Explanation
KPI Not Yet Measured	N/A	KPIs with no targets or actuals in the selected period.
KPI Not Met	R	0% <= Actual/Target <= 75%
KPI Almost Met	O	75.000% <= Actual/Target <= 99%
KPI Met	G	Actual meets Target (Actual/Target = 100%)
KPI Well Met	G2	100.001% <= Actual/Target <= 150%
KPI Extremely Well Met	B	150% <= Actual/Target

Figure 1.: SDBIP Measurement Categories

The graphs below display the overall performance, per strategic objective (as set out in the IDP) for the 2017/18 financial year:

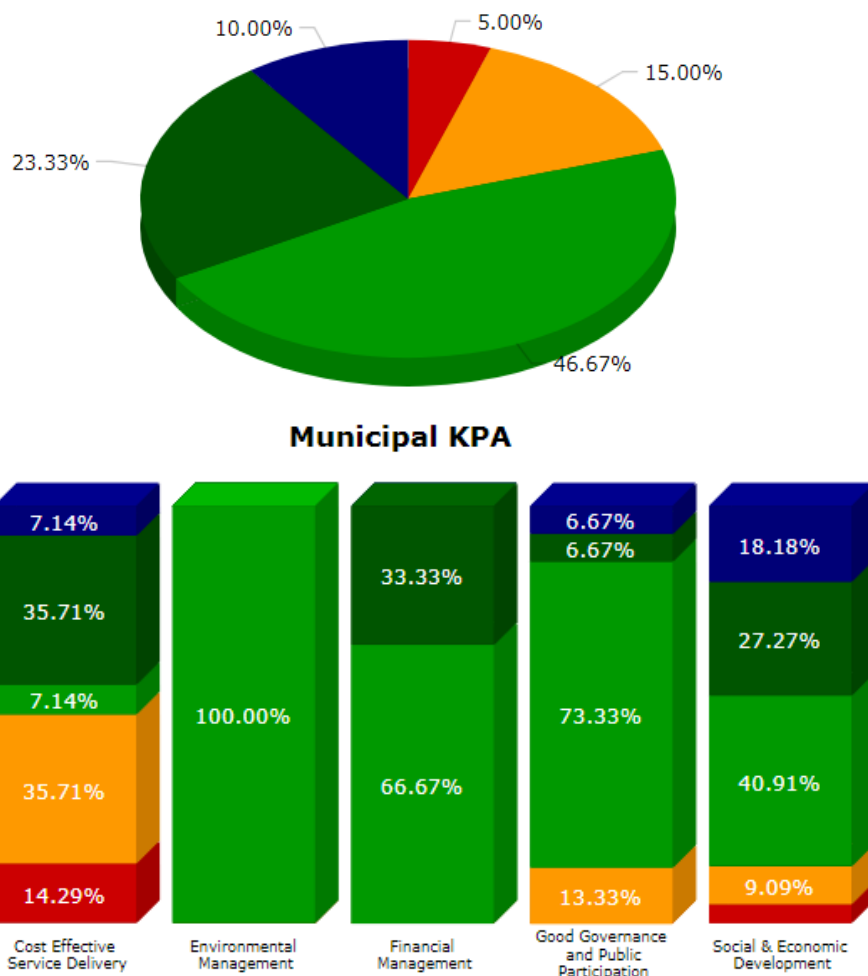


Figure 2.: Overall performance per Key Performance Area

3.2.2 DETAIL PERFORMANCE PER STRATEGIC OBJECTIVE FOR 2017/18

Cost Effective Service Delivery

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL4	% Provision of electricity to residential properties connected to the municipal infrastructure network for both prepaid and credit electrical metering	Percentage of formal residential properties connected to the municipal electrical infrastructure network	100.0%	100%	98.82% ¹	O	This performance measure is based on a legislative reporting indicator. Please refer to footnote "1". As Corrective Measure the municipality continually address possible service delivery backlogs through Funding Applications(MIG) and the implementation of Human Settlements Planning to rectify any possible shortages in service delivery. Municipal Offices in all towns also provides residents the opportunity to query any service delivery shortage to which response is given within approved service standards.
TL5	% Provision of water to residential properties connected to the municipal infrastructure network for both prepaid and credit metering	Percentage of formal residential properties connected to the municipal water network	81.4%	100%	77.06% ¹	O	This performance measure is based on a legislative reporting indicator. Please refer to footnote "1". As Corrective Measure the municipality continually address possible service delivery backlogs through Funding Applications(MIG) and the implementation of Human Settlements Planning to rectify any possible shortages in service delivery. Municipal Offices in all towns also provides residents the opportunity to query any service delivery shortage to which response is given within approved service standards.
TL6	% Provision of refuse removal and solid waste disposal for residential account holders	Percentage of residential properties billed for refuse removal	91.6%	100%	90.73% ¹	O	This performance measure is based on a legislative reporting indicator. Please refer to footnote "1". As Corrective Measure the municipality continually address possible service delivery backlogs through Funding Applications(MIG) and the implementation of Human Settlements Planning to rectify any possible shortages in service delivery. Municipal Offices in all towns also provides residents the opportunity to query any service delivery



CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
							shortage to which response is given within approved service standards.
TL7 ³	% Provision of sanitation/sewerage services to residential account holders	Percentage of residential properties billed for sanitation/sewerage services	93.5%	100%	87.80% ¹	O	This performance measure is based on a legislative reporting indicator. Please refer to footnote "1". As Corrective Measure the municipality continually address possible service delivery backlogs through Funding Applications(MIG) and the implementation of Human Settlements Planning to rectify any possible shortages in service delivery. Municipal Offices in all towns also provides residents the opportunity to query any service delivery shortage to which response is given within approved service standards.
TL8	The % of registered indigent account holders (poor households) with access to free basic services	Percentage of registered indigent households with access to free basic services		90%	90.14%	G2	Target achieved

³ For the 2017/18 financial year the calculation was based on the total household account holders as registered on the financial system of the municipality. It is important to note that not all households do receive the same services as in the case of fenced developments, multiple units on one stand, central collection points for refuse removal, etc. The total households are used as denominator for calculation purposes.



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL17	90% Expenditure of Approved budget for maintenance of Municipal camps sites by end of Financial year	% budget spent	New KPI	90%	87.75%	O	The leasing of a Municipal owned property (Takkieskloof Resort) by way of tender for a long-term period was approved. One of the tender conditions stipulated that the Municipality must provide the successful bidder with an electrical certificate and a plumbing certificate to ensure that the electrical and plumbing networks are in good working order and is done in accordance with the relevant legislation. The available funds were insufficient for all maintenance to be done as needed. Also, the tender that was received for the leasing of the Takkieskloof resort was found non-responsive and this tender will be advertised again during the 2018/2019 financial year. Repairs for preparation will be completed in the new financial year.
TL42	Review the housing Pipeline in Collaboration with the Department of Human Settlements by March 2018 and submit reviewed pipeline to PC	Housing pipeline reviewed and submitted to Portfolio Committee		1	1	G	Target achieved
TL43	Completion of 100 Top Structures for the Melkhoutfontein North Housing project by June 2018	Number of top structures completed		100	107	G2	Target achieved
TL52	90% Expenditure of the approved Capital Budget of the Technical Department for 2017/2018	% capital budget spent	87.0%	90%	67.13%	R	The budget for the Technical Department is R 80 511 137,07. R12 million is allocated to the Drought Funding which was received late in the financial year. For compliance to regulation the grants had to be included in the adjustment budget, although it was known at the time that it would be impossible to spend these funds in the financial year. Included in the budget (and presently indicated as unspent), a total of R 6 652 498 is included for VAT and Flood Damages. The total budget available for spending on capital projects was therefor R 61 858 639. Various delays in the procurement processes, most of the projects were implemented



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
							<p>late in the financial year. Delays were also caused by appeals on tender awards. One tender also had to be cancelled due to non-performance of the contractor. The Technical Department managed to spend R 54 046 152 of a spendable technical budget of R 61 858 639 (87,4%) after all the above-mentioned figures were subtracted. The processing of additional funding within a financial year will always be a challenge. The accommodation of the funding and the roll-over that was required, was managed with the assistance of the funding authority. No grant funding was lost, and the roll-over will be completely spent in the 2018/2019 financial year.</p> <p>Spending of the capital budget can be improved by a long-term implementation plan that stretches over the next 3 financial years. All the projects identified for the 3-year budget process were included for a tender for the consulting engineers. The tender has closed and the successful tenderers can be appointed soon. This will enable the municipality to finalize the long-term implementation plan with the assistance of the consulting project engineers. The planning the projects will therefore be started well in advance. This will drastically improve the spending.</p>
TL53	90% Expenditure of the approved Operational Budget of the Technical Department for 2017/2018	% of expenditure budget spent	87.0%	90%	95.92%	G2	Target achieved
TL54	Limit electricity losses to 10% for financial year 2017/2018	% unaccounted electricity	9.3%	10%	10.70%	R	Losses incurred primarily as a result of aging transmission lines. The replacement program within annual budget mitigate the risk as lines are replaced within available funding.
TL55	95% Expenditure of National Electrification Grant spent for 2017/2018	95% of Electrification Grant spent	18.0%	95%	100%	G2	Target achieved



TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL59	95% Expenditure of Municipal Infrastructure Grant (MIG)	% of Grant spent	74.0%	95%	100%	G2	Target achieved
TL60	Limit water losses 30% or less for 2017-18	% of water losses	12.0%	30%	12.56%	B	Target achieved

Table 61.: Actual performance for 2017/18 for the strategic objective: Cost Effective Service Delivery

Good Governance and Public Participation

Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL1	90% Expenditure of the Approved Capital Budget for the Municipality by end of June 2018	% of Budget spent	80.3%	90%	68.69%	O	The target is measured on the final adjustment budget as approved by Council. This included R12 M of grants and VAT entries on grants which amounted to R18,6 M which was not ready to be spent by the time it was authorised in an adjustment budget mid-year. With delays in procurement processes and contract management to ensure quality of service, not all funds were spent. Please refer to comment on TL52 for more detail.
TL2	90% Expenditure of the Approved Operational Budget for the Municipality by end of June 2018	% of budget spent	91.9%	90%	92.80%	G2	Target Achieved
TL3	Feedback Report submitted quarterly to Executive Mayor on all formal issues raised with the Municipal Manager by the EMC	Feedback report submitted quarterly	New KPI	3	3	G	Target Achieved

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Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL9	Development of an Integrated IDP Process Plan submitted to PC by August 2017	Number of submitted Process plan	1	1	1	G	Target Achieved
TL10	Submission of Final IDP submitted to Council by May 2018	Final IDP submitted to Council by May 2018	1	1	1	G	Target Achieved
TL11	Review of the Municipal Risk Register and submitted to the Risk Committee by May 2018	Risk register reviewed and submitted to Risk Committee	1	1	1	G	Target Achieved
TL12	GIS Implementation Plan for all Departments compiled and submitted to Portfolio Committee by Nov 2017	Implementation Plan Submitted to Portfolio Committee	New KPI	1	1	G	Target Achieved
TL14	The % of people from employment equity target groups employed in the three highest levels of management in compliance with the Municipalities Annual Employment Equity report	% employed of target groups according to Annual Department of Labour Employment Equity report	60.5%	66%	55.20%	O	The % of appointments in the top level management from previous disadvantaged groups is 0%. There was 1 vacant post. After three successive but separate recruitment attempts a white male, was appointed as Director: Technical Services on 1 January 2018. The appointment was not in line with the Employment Equity targets of the Municipality. The Council upon approval of the appointment determined that the appointment is subject to a mentorship programme. This has been implemented. The % of appointments in the senior management level from previous disadvantaged groups is 100%. There was 1 Coloured Male appointment and 1 Coloured Female appointment resulting from 2 vacant posts.
TL15	Maintain an average vacancy rate of less than 10% budgeted staff establishment.	Average % Vacancy rate of less than 10% reported quarterly to Portfolio committee	6.1%	10%	3.33%	B	Target Achieved



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Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL16	Submission of Succession Planning Strategy for Hessequa Municipality compiled and submitted to Portfolio Committee by Feb 2018	Strategy submitted to Portfolio committee	New KPI	1	1	G	Target Achieved
TL18	Completion of Municipal Property Audit and submitted to PC by March 2018.	number of audits submitted	New KPI	1	1	G	Target Achieved
TL19	Revision of Delegation Register and submitted to PC by May 2018	Reviewed municipal Delegation Register submitted to Portfolio committee	1	1	1	G	Target Achieved
TL20	Revision of Municipal code and submitted to PC	Reviewed municipal code submitted to Portfolio Committee	1	1	1	G	Target Achieved
TL21	Review of Client Service Standards by May 2018 and submitted to PC	Reviewed Client Services standards submitted	1	1	1	G	Target Achieved
TL24	Completed ICT Systems assessment report May 2018	Number of reports submitted to Pc	New KPI	1	1	G	Target Achieved

Table 62.: Actual performance for 2017/18 for the Strategic Objective: Good Governance and Public Participation



Social and Economic Development

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL13	Facilitate a Rural Development Workshop with Council by May 2018	Number of workshops facilitated	New KPI	1	0	R	The target was not met as a result of the inability for key role-players to meet with Council in a collaborative workshop with all stakeholders present. Even though the workshop was not held, work was done to investigate the realities of rural communities and a provincial delegation did visit Vermaaklikheid specifically.
TL22	Hold Library exhibitions annually in Hessequa	Number of exhibitions per year	New KPI	624	1,005	B	Target Achieved
TL23	95% Spending of Municipal Replacement fund (Grant) and Community Library Services Grant by end of June 2018	Percentage of Grants spent	95.0%	95%	96.70%	G2	Target Achieved
TL31	Quarterly report on Development Trends to PC	Number of reports submitted to Pc	New KPI	3	3	G	Target Achieved
TL32	Evaluate land use applications within 120 days by the Planning Tribunal, after receipt of all relevant information and documents in terms of SPLUMA	% applications evaluated within 120 days	100.0%	90%	100%	G2	Target Achieved
TL33	Evaluate land use applications within 60 days by the delegated official, after receipt of all relevant information and documents in terms of SPLUMA	% applications evaluated within 30days	New KPI	90%	100%	G2	Target Achieved



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL34	Approve/reject building plans within 30 days for buildings less than 500m2 and 60 days for buildings larger than 500m2 after all information required is correctly submitted	% of plans evaluated	100.0%	90%	100%	G2	Target Achieved
TL35	Finalise occupancy certification within 14 days after receipt of all applicable information	% of certification completed within 14 days	New KPI	95%	100%	G2	Target Achieved
TL37	Submit a quarterly report indicating progress in terms of Economic Development programmes to PC	number of reports submitted	New KPI	3	3	G	Target Achieved
TL38	Submit a quarterly report indicating progress in terms of tourism programmes to PC	Number of reports submitted	New KPI	3	3	G	Target Achieved
TL39	Submit a progress report on the Slangrivier Transformation Process to every quarter to the Portfolio Committee	Number or reports	New KPI	4	4	G	Target Achieved
TL40	LED Strategy Review submitted to PC by April 2018	number of reviews	New KPI	1	1	G	Target Achieved
TL41	Investment Facilitation standard operating procedure by end of June 2018	Number of SOP	New KPI	1	1	G	Target Achieved



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL44	Scheduled outreach programmes for all towns in Hessequa to update housing waiting lists	Number of outreaches	7	6	6	G	Target Achieved
TL45	Implementation of 12 Social development initiatives in Hessequa for 2017/2018	Number of initiatives conducted	24	12	21	B	Target Achieved
TL46	Implementation of 10 Sport Development Initiatives in Hessequa for 2017/2018	Number of initiatives conducted	12	10	19	B	Target Achieved
TL47	Implement 6 Thusong Outreach Programmes for 2017/2018	Number of mobile outreach initiatives	6	6	6	G	Target Achieved
TL48	Receive a performance of not less than 80% for the formal Provincial Audits on the licensing Agency Services	Average % achieved	95.2%	80%	91.80%	G2	Target Achieved
TL49	Conduct 12 integrated vehicle checkpoints for 2017/2018	Number of checkpoints conducted for the period	9	12	32	B	Target Achieved
TL50	Establishment of Fire Fighting Service by the procurement of Equipment by 90% of the capital budget spent for 2017/2018	% of budgeted spend on Equipment for Fire Fighting Services	12.9%	90%	77.07%	O	The 77.07% spending was due to savings after procurement processes and non-spending of funds allocated to the extension of a Radio Network for the Joint Operation Centre. Due to considerations for the possible implementation of alternative and more efficient technology (push to talk devices), the procurement was halted.
TL51	Compile a Public Safety Policy for Hessequa Municipality and submit to PC by June 2018	Number of policies submitted to PC	New KPI	1	1	G	Target Achieved



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TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL58	Number of FTE's (full time employment) created through EPWP for 2017/2018	Number of FTE's created	61	65	52	0	65 FTE's were planned for the 2017/18 financial year. On the approved business plan a total of 40 work opportunities against 14 FTE's were planned for the Melkhoutfontein Housing Project, but were lost as a result of shortages in inter-departmental communication. The conditions of the EPWP information will be included in all future tenders to ensure that all service providers are aware of the information and formats of the beneficiary information that is required.

Table 63.: Actual performance for 2017/18 for the strategic objective: Social and Economic Development



Financial Management

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL25	Submit a report on Borrowing Funds and Reserves to the Financial Portfolio committee by Feb 2018	Number of borrowing and reserve funds reports submitted to Portfolio committee		1	1	G	Target achieved
TL26	Submit a liquidity report of the Municipality to the Finance Portfolio Committee by end Feb 2018	Number of reports submitted to Portfolio Committee		1	1	G	Target achieved
TL27	Unqualified Financial Audit as reported by Auditor General	Number of Unqualified Financial Audit result	100.0%	1	1	G	Target achieved
TL28	Management of Income annual payment rate of thresholds higher than 95% for financial year	% Income thresholds higher than 95% maintained for financial year		95%	96.94%	G2	Target achieved
TL29	Submit a detailed report on the status of handed over accounts to PC by June 2018	number of reports submitted		1	1	G	Target achieved
TL30	95% Spending of Municipal Financial Management Grant by end of June 2018	Percentage of Grant spent		95%	100%	G2	Target achieved

Table 65.: Actual performance for 2017/18 for the strategic objective: Financial Management



Environmental Management

TL Ref#	KPI	Unit of Measurement	Previous year performance	Overall Performance for Jul 2017 to Jun 2018			
				Target	Actual	Result	Performance Comment
TL36	Review of the Climate Change Adaptation plan submitted to PC by June 2018	Reviewed plan submitted	100.0%	1	1	G	Target achieved
TL56	Annual Blue Flag Applications submitted by June 2018 to WESSA	Number of applications submitted by June 2017	600.0%	6	6	G	Target achieved
TL57	Submission of Quarterly Solid Waste Management Report to Portfolio Committee.	Quarterly report submitted	200.0%	2	2	G	Target achieved

Table 66.: Actual performance for 2017/18 for the strategic objective: Environmental Management

3.2.3 Overview of Performance Per Directorate

The performance statistics in the table below and all the graphs in the following sub paragraphs include performance in terms of the SDBIP for the 2017/18 financial year and where applicable, in comparison to the 2016/17 financial year.

Directorates	Financial Year	Total KPIs	KPIs Extremely Well Met	KPIs Well Met	KPIs Met	KPIs almost Met	KPIs not Met
Municipal Manager	2016/17	10	-	1	4	5	
	2017/18	13	-	2	5	5	1
Corporate Management	2016/17	14	1	2	9	2	
	2017/18	11	2	1	6	2	-
Community Services	2016/17	13	1	2	6	1	3
	2017/18	10	3	2	4	1	-
Financial Services	2016/17	4	2	2			
	2017/18	6	-	2	4	-	-
Development Planning	2016/17	9		3	6		
	2017/18	11	-	4	7	-	-
Technical Services	2016/17	13	1	2	6	1	3
	2017/18	9	1	3	2	1	2

Table 67.: Summary of total performance per Directorate

3.2.4 Service Providers Strategic Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- means a person or institution or any combination of persons and institutions which provide to or for the benefit of the local community
- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality.

Hessequa Municipality Rates Service Providers using a 1-5-point scale, with 1 being excellent and 5 being consider blacklisting from future processes. During the year under review the municipality appointed two service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality. The details of the service providers as set out in the table below:

Service Provider	Service Agreement / Tender	Rating	Comments
Henque Waste – Recyclable Waste Removal	HES-TECH 14/1617 BAC: 21/07/2017 Collab no: 1031367	2.2 (Average for FY)	Services rendered in general was of good quality. Positive feedback was received from the public regarding the services rendered by Henque Waste. They are prompt with the supply of recycle statistics which enables us to report and budget more efficiently.
RURAL METRO EMERGENCY MANAGEMENT SERVICES (PTY) LTD	TENDER: HES-COM 04/1617 BAC: 18/08/2017 Collab no: 1026657	2.01 (Average for FY)	On average and in general the services rendered were of a very good standard and within the specifications.

Table 68.: Section 76 (b) Contractors for 2017/18

Rural Metro (PTY)Ltd rendered the Fire Brigade service on behalf of Hessequa Municipality. The contract made provision for 18 Firefighters. Firefighting personnel were deployed in the towns of Riversdale, Heidelberg, Albertinia and Melkhoutfontein and concentrated primarily on structural fires, and acted as first responders in cases where veldfires occurred. In the meantime, the municipality started establishing its own internal firefighting service over a period of time, in order to service all of its towns and ensure the safety of our communities.

All other contract appointments are regularly monitored and ensured, that the requirements of the contract are complied with.

3.2.5 Municipal Functions

The municipal function areas for the 2017/18 financial year are indicated below:

Municipal Function	Municipal Function Yes / No
Constitution Schedule 4, Part B functions:	
Air pollution	Yes
Building regulations	Yes
Child care facilities	No
Electricity reticulation	Yes
Structural Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	Yes
Storm water management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	No
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes

Municipal Function	Municipal Function Yes / No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 69.: Functional Areas

3.3 COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, including details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services.

Please note that the following figures relate to users accessing municipal services within the service areas as identified in the Spatial Development Framework. These figures should not be reconciled with the total households of the municipal region it does not include rural/farm households and communities like Vermaaklikheid or Dennedal Garcia in any/some figures. As an example, Dennedal Garcia is a community that is provided by a package sewerage solution, but water and electricity are metered per household. Therefore, the number of households can and will vary for different services.

3.3.1 WATER PROVISION

A) Introduction to Water Provision

Hessequa Municipality is in terms of the Water Services Act of 1998 (WSA), the WSA of the region and therefore accountable and responsible for ensuring that water services are provided to consumers. Water is provided by the municipality to 7 towns and two settlements, Vermaaklikheid and Dennedal Garcia. The Overberg Water Board provides the towns of Witsand, Slangrivier and Heidelberg with bulk water; however, the municipality is still responsible for ensuring provision of water services within the area of their jurisdiction and is accountable to their citizens for services within the municipal urban edge and distribution networks.

In addressing sustainable water services to the consumer, there are three major goals that the municipality should aim to achieve.

These are:

- Delivery of sustainable water services;
- Integrated water resource management and
- Efficient and effective water services institutional arrangements

Water Service Delivery Levels		
Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<i>Water: (above min level)</i>		
Piped water inside dwelling or yard	13 935	15207
Using public tap (within 200m from dwelling)	440	444
Other water supply (within 200m)	0	0
<i>Minimum Service Level and above sub-total</i>	14375	15207
<i>Minimum Service Level and above Percentage</i>	100	100
<i>Include informal settlements</i>		

Table 70.: Water Service Delivery levels: Households

Employees: Water and Sewerage					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	27	32	29	3	9.3%
4 - 6	30	14	14	0	0
7 - 9	5	22	20	2	9%
10 - 12	5	5	5	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 – 20	0	0	0	0	0
Total	67	73	68	5	6.84%
<i>Employees and Post numbers as at 30 June .</i>					

Table 71.: Employees: Water Services

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

Capital Expenditure 2017/18: Water				
R				
Capital Projects				
	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Fencing of Reservoirs- Olienhoutfontein - S/B	100000	99928,48	71,52	Project completed
Security - WTW. (water reservoirs) - Riversdale	200000	58081,73	141918,27	The balance can be seen as a saving as the majority of the fence was already installed during the previous financial year.
Water meters - Hessequa	250000	249910	90	completed
Replacement of Water Infrastructure - Heidelberg - GLS Report	400000	126280,92	273719,08	Tender awarded to Benver Civil and Plant Hire. Site handover took place on 04 June 2018 and will be completed by 16 January 2019. A motivation will be submitted during August 2018, to transfer the remaining balance to the 2018/19 financial year as the funds is already committed to the approved tender.
Upgrading of Network booster pumpstation - Witsand	50000	30415	19585	Design and specifications have been completed. Construction will commence in the 2018/19 financial year. Tender was advertised with a closing date of 17 August 2018.
New Reservoir Platbos - phase 1 - Stilbaai - (GLS)	121650	121650	0	Project is awarded to Phambili Civils. The 2017/18 funds were fully spent.
New Bulk Water supply S/B & MHFT - Counter funding	913600	50639	862961	Project was completed. The remaining balance is a saving on the MIG project. Project was completed by end of March 2018.
Pressure Management - Jongensfontein	50000	0	50000	Hessequa Consulting Engineers is in the process to completed the design and specifications. Construction will commence in the 2018/19 financial year..
Replacing Irrigation Channel - Lang Street - Riversdal	100000	98000	2000	Project is completed
Reserve borehole pumps - H/Q	130000	107896,27	22103,73	Pump was purchased. Balance can be seen as a saving
Refurbishment Preekstoel Pumpstation - Stilbaai - (GLS)	305000	183114,64	121885,36	Tender awarded to Benver Civil and Plant Hire. Contractor on site. A motivation will be submitted to the finance department to transfer the remaining balance of R 121 885.36 to the 2018/19 financial year as the project is already under construction and the funds are committed.
Provision of Flow Meters - Hessequa	200000	200000	0	The 2017/18 budget was fully spent. The project was awarded as a multi-year project to Phambili Civils, will be completed by 30 November 2018.
Upgrading of water purification works - Jongensfontein	190000	151392,14	38607,86	Tender awarded to Benver Civil and Plant Hire. Contractor on site. A motivation will be submitted to the finance department to transfer the remaining balance of R 121 885.36 to the 2018/19 financial year as the project is already under construction and the funds are committed.
Upgrading of Irrigation /Channel (leiwatersloot) - H/B	200000	194029,92	5970,08	Completed



Capital Expenditure 2017/18: Water				
R				
Capital Projects				
	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Upgrading of Sandfilters - R/D	200000	200000	0	The 2017/18 budget was fully spent. The project was awarded as a multiyear project to Phambili Civics. The project will be completed by 30 November 2018.
New Water Networks Distribution - GLS - S/B	1200000	1200000	0	The 2017/18 budget was fully spent. The project was awarded as a multiyear project to Phambili Civics. The project will be completed by 30 November 2018.
Flow meters Reservoirs - S/B	300000	300000	0	The 2017/18 budget was fully spent. The project was awarded as a multiyear project to Phambili Civics. The project will be completed by 30 November 2018.
Water Storage Augmentation - Gouritsmond	1000000	1035849,92	-35849,92	funds were fully spent in the 2017/18 financial year.
Upgrading of waterworks (sand filter) - Riversdale	200000	48500	151500	Tender was awarded to Phambili Civics on 28 May 2018 after the appeal received was resolved. Project will be completed by 20 November 2018. A motivation will be submitted to the finance department to transfer the remaining balance of R 151 500 to the 2018/19 financial year as the project is already under construction and the funds are committed.
Pressure reducing valves (Bermad valve) - Witsand	100000	100000	0	Tender awarded to Pambili Civics. Contractor on site. A motivation will be submitted to the finance department to transfer the remaining balance of R 121 885.36 to the 2018/19 financial year as the project is already under construction and the funds are committed.
Pressure reducing valves (Bermad valve) - Heidelberg	60000	56995,93	3004,07	Tender awarded to Pambili Civics. Contractor on site. A motivation will be submitted to the finance department to transfer the remaining balance of R 121 885.36 to the 2018/19 financial year as the project is already under construction and the funds are committed.
New Bulk Water - 550 Low cost Housing - MHFT - Stilbaai	4991242	4826871,82	164370,18	Project was completed end of March 2018)
New Bulk Water - 550 Low cost Housing - MHFT - Stilbaai VAT	698774	0	698774	Vat on the Bulk Water MIG Project in Melhoutfontein.+BB488
Water Infrastructure Vermaaklikheid	78787	35000	43787	Chlorination system was installed.
Water meters - Slangrivier	273400	56090	217310	Funds were not fully spent
Decalcification of water house	1041355	962948,54	78406,46	Ikusasa Chemicals has been appointed as the service provider. Project completed

Table 72.: Capital Expenditure 2017/18: Water

3.3.2 Waste Water (Sanitation) Provision

A) Introduction to Sanitation Provision

In addressing sustainable Sanitation service delivery to the consumer, there are three major goals that the municipality should aim to achieve. These are:

- Integrated sanitation resource management;
- Efficient and effective sanitation services;
- Institutional arrangements and
- Ensure continuous service delivery at the required standards.

Sanitation Service Delivery Levels		
Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<i>Sanitation/sewerage: (above minimum level)</i>		
Sanitation Services above Minimum Standard provided	13 437	13351
<i>Minimum Service Level and Above sub-total</i>	13 437	13351*
<i>Minimum Service Level and Above Percentage</i>	100	100
Total households connected	13 437	13351
<i>*decrease due to septic tanks being excluded</i>		

Table 73.: Sanitation Service Delivery Level

3.3.3 Electricity

A) Introduction to Electricity

The Hessequa Municipality adopted a Green Vision in 2008 with three key objectives, one which is to be energy independent and carbon neutral by 2020.

Focus areas are

- To ensure that all residents have access to electricity by eradicating backlogs with the assistance of the MIG program
- To reduce consumption by implementing the Energy Efficiency and Demand Side Management Program, through consumer awareness and incentive programs
- To establish renewable energy sources in Hessequa to reduce our carbon footprint and become energy neutral.
- To identify appropriate mechanisms through which Council may develop its own assets and assist the private sector to establish renewable energy projects in Hessequa which will generate

an income stream to Council which will compensate for loss of revenue as a result of increased energy efficiency.

We are driving the process on three levels:

- With our own resources- municipal land, grants, own funds.
- Combined resources-strategic partnerships with knowledge partners, of the government departments and the private sector.
- Creating an enabling environment - encouraging and supporting private economic initiatives: incentives, access to land and services, rebates etc.

Electricity Service Delivery Levels		
Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<u>Energy:</u> (above minimum level)		
<i>Minimum Service Level and Above sub-total</i>	13 794	15 028
<i>Minimum Service Level and Above Percentage</i>	100	100
Other energy Providers	581 (ESKOM)	581 (ESKOM)
<i>Below Minimum Service Level sub-total</i>	0	0
<i>Below Minimum Service Level Percentage</i>	0	0
Total number of households	14 375	15 028

Table 74.: Electricity Service Delivery Levels

Employees: Electricity Services					
Job level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	2	2	2	0	0
4 – 6	21	25	20	5	20%
7 – 9	5	5	4	1	20%
10 – 12	6	14	8	6	42.8%
13 – 15	2	2	2	0	0
16 – 18	0	0	0	0	0
19 – 20	0	0	0	0	0

Employees: Electricity Services					
Job level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Total	36	48	36	12	25%
<i>Employees and Post numbers as at 30 June Employees and Post numbers as at 30 June.</i>					

Table 75.: Employees: Electricity

Capital Expenditure 2017/18: Electricity				
Capital Projects				
	Adjusted Budget (R)	Actual Expenditure (R)	Variance from Adjusted budget (R)	Comments
Upgrading 11 KV Main sub-station - Albertinia	1000000	1000000	0	Funds for 2017/18 was fully spent. This is a multiyear project, the remaining balance is allocated on the 2018/19 budget under Tender HES EL 08/1718
Upgrade MV supply to SS-Albertinia - Installation of Tri-link from Eskom OH busbars. (MP 5.1.1)	50000	50000	0	Funds for 2017/18 was fully spent. This is a multiyear project, the remaining balance is allocated on the 2018/19 budget under Tender HES EL 08/1718
Substation main inlet point Eskom - Riversdale	6302000	6302000	0	Project is completed
Bulk Electrical Meters - H/Q	350000	342591,63	7408,37	Funds were amended and transferred to item : Substation main inlet point Eskom - Riversdal. Project is completed under Tender HES EL 07/1718

Table 76.: Capital Expenditure 2017/18: Electricity Services

3.3.4 Waste Management (Refuse Collections, Waste Disposal, Street Cleaning and Recycling)

A) Introduction to Waste Management

The SA Constitution states that the people of South Africa have the right to an environment that is not detrimental to human health and Local Government is assigned the responsibility for refuse removal, refuse dumps and solid waste disposal. Therefore, all the towns in the municipal area have a waste programme in place. All households are serviced once a week and all businesses at least three times a week. Recycling at source is encouraged throughout the area. The Waste Management goal is to optimize the waste management strategy to ensure continuous cost effective services by also encouraging waste minimization and recycling activities to enhance in proper management services. Hessequa Municipality

has also adopted its Green Vision to be a Zero Waste Society by 2020 and since 2008 been in partnership with a private concern for the recycling of all waste.

Solid Waste Service Delivery Levels		
Description	Households	
	2016/17	2017/18
	Actual	Actual
	No.	No.
Removed at least once a week	13 166	13797
Minimum Service Level and Above sub-total	13 166	13797
Minimum Service Level and Above percentage	100	100
Total number of households	13 166	13 797

Table 77.: Solid Waste Service Delivery Levels

Rural waste removal is currently done along the following routes:

- Garcia Route
- Vermaaklikheid Route
- Blombos Route
- Klipfontein Route
- Droëvlakte Route
- Jongensfontein Road
- Kusweg-road
- R-Route to Gouritsmond and Stilbaai Turn-off

Employees: Waste Management					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	43	40	39	1	2,5%
4 - 6	11	20	18	2	10%
7 - 9	4	4	4	0	0
10 - 12	4	5	4	1	20%
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 – 20	0	0	0	0	0
Total	62	69	66	4	5,79%
Employees and posts numbers as at 30 June.					

Table 78.: Employees Waste Management



Capital Expenditure 2017/18: Waste Management				
Capital Projects	Adjusted Budget (R)	Actual Expenditure (R)	Variance from Adjusted budget (R)	Comments
All	1 391 500	1 373 469	1 8031	All projects completed

Table 79.: Capital Expenditure 2017/18: Waste Management

3.3.5 HOUSING

A) Introduction to Housing

Hessequa Municipality consists of several towns: Riversdale, Albertinia, Gouritsmond, Heidelberg, Slangrivier, Melkhoutfontein, Stilbaai, Jongensfontein and Witsand. Housing projects have been successfully undertaken and completed in Albertinia, Gouritsmond, Riversdale, Heidelberg and Slangrivier, Bitouville and Kwanokuthula in previous financial years.

During the period under reporting, the following projects were undertaken:

Melkhoutfontein North Housing Project, Stilbaai

The first phase for the installation of civil engineering services to 170 erven were completed in the 2015/16 financial year.

During 2016/17 financial year, the beneficiary administration process was undertaken, and resulted in 110 approved beneficiaries for top structures. Public consultation processes with the beneficiary 114 community were undertaken and the construction of houses commenced January 2017. The construction phase proceeded during the 2017/18 financial year, and 107 houses were constructed and handed over to beneficiaries by December 2017. Approval for an additional 11 beneficiary approvals were received and was completed in conjunction with the municipality's housing Implementing Agent, ASLA and their team of professionals.

Additional project applications for the towns of Melkhoutfontein West, Slangrivier, Heidelberg and Riversdale were formulated and submitted to the Provincial Department of Human Settlements for their consideration and included applications for the upgrading of informal settlements for the towns of Slangrivier, Heidelberg and Riversdale. Funding was approved by the Department of Human Settlements for planning purposes for the projects of Heidelberg and Riversdale.

The following table shows the increase/decrease in the number of people on the municipal housing demand database (as per Collaborator system) as well as data from the Western Cape Housing Demand Database. The demand for housing opportunities was **8383** for the 2016/2017 financial year and for the 2017/2018 financial year a total of **8990** were recorded as per municipal Collaborator housing demand database at the end June 2018.

Hessequa is still part of the data cleansing project of the Western Cape department of Human Settlement. This is a progressive process that entails the "cleaning" of duplicated data on the housing demand database, removing of data of those that passed away, as well as removing of beneficiaries already assisted with housing opportunities.

Based on the data “cleansing” exercise, the provincial database reflects a demand of **5381** housing opportunities as at end June 2018.

Financial year	No of housing units on waiting list	% Housing waiting list increase/decrease from previous year
2016/17	8383 (5289)	1.03% (0%)
2017/18	8990 (5381)	7.25% (1.75%)

Table 80.: Housing Waiting List

The above table consist of data from the Hessequa Collaborator system data as well as data from the cleansed Western Cape Housing Demand Database. The Western Cape Department of Human Settlements implemented the above 40 rule as set out in formal Circular no 10 of 20 May 2015, for implementation by all municipalities until the data is shown in brackets () demand databases above 40 years of age are depleted and assisted with a housing opportunity, potential beneficiaries between 40 and 35 years, can only then be considered.

Funding Received 2017/2018					
Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
2016/17	14 444 331.44	14 444 331.44	100	122	122
2017/18	13 665 140.80	11 005 796.80	80.53	107	0

Table 81.: Funding receive, Houses build and Sites serviced

The financial data in the table above reflects a spending of 80.53%. The unspent R2 659 344.00 reflects the outstanding funding for transfer of the said 107 properties, as well as the funding received for the additional 11 beneficiary approvals for their top structures still to be build. The unspent amount includes a grant received late in the year for Title Deed Backlog eradication which will be spent in the coming financial year.

Employees: Housing					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	No.
0 - 3	1	1	1	0	0
4 - 6	0	0	0	0	0
7 - 9	1	2	2	0	0
10 - 12	0	1	1	0	0
13 - 15	0	0	0	0	0

Employees: Housing					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	No.
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	2	4	4	0	0
<i>Employees and Post numbers as at 30 June.</i>					

Table 82.: Employees: Housing

3.3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

A) Introduction to Free Basic Services and Indigent Support

The Municipal Council must give priority to the basic needs of the community, promote the social and economic development of the community and ensure that all residents and communities in the Municipality have access to at least the minimum level of basic municipal services in terms of Section 152(1)(b) and 153(b) of the Constitution. To achieve the purpose, it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs. The customer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to regulations and restrictions stipulated by Hessequa Municipality. In accordance with the approved indigent policy of the municipality, all households earning less than R3 500 (Category B – 50% subsidy) and R3 000 (Category A – 100% subsidy) per month will receive the free basic services as prescribed by national policy. The purpose of the Indigent Policy is to ensure that the subsidy scheme for indigent household's form part of the financial management system of Hessequa Municipality and to ensure that the same procedure is followed for each individual case. The policy also emanates from the objectives determined in Council's anti-corruption policy. It is therefore against the above background that the Hessequa Municipality undertakes to promote the following principles:

- To ensure that the portion for free basic services allocated as part of the equitable share received annually will be utilized for the benefit of the poor only and not to subsidize rates and services charges of those who can afford to pay;
- To link this policy with the Municipality's Integrated Development Plan (IDP),
- Local Economic Development (LED) initiatives and poverty alleviation programmes;
- To promote an integrated approach of free basic service delivery; and
- To engage the community in the development and implementation of this policy.

For more information on the cost of indigent policy implementation, please refer to page 63 of the Audited Financial Statements for 2017/2018.

3.4 COMPONENT B: ROAD TRANSPORT

This component includes:

- roads;
- transport; and
- Waste water (storm water drainage).

The Hessequa Local Integrated Transport Plan (HLITP) was reviewed in February 2013 and subsequently approved by Council. Funding for projects identified in the HLITP is subject to provincial funding through the Public Transport Fund. No funding was received from the Province the past few years and the issue was raised often at the N2 Working Group chaired by the Provincial Department of Transport.

3.4.1 Roads

A) Introduction to Roads

Only proclaimed main road projects were successfully completed the past year. Backlogs remain a major challenge and the maintenance funding is not sufficient to address structural failures of paved surfaces. The funding shortages at municipal level for the maintenance of its road networks were raised at provincial and national forums and there is a drive by all spheres of government to re-look the funding model for municipal roads.

B) Service Delivery Performance Information

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	Re-gravel of roads	Gravel roads upgraded to Paved Surface	Gravel roads graded/maintained
2015/16	42	0.29	0	42.3
2016/17	42.3	1.5	5.57	43.8
2017/18	43.8	0	1.2	45

Table 83.: Gravel road infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2015/16	231	0	1.97	0.84	231
2016/17	231	0	11	2	231
2017/18	231	0	0	1.7	231

Table 84.: Tarred road infrastructure



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The table below shows the costs involved for the maintenance and construction of roads within the municipal area:

Cost of Construction/Maintenance:R'000						
Year	Gravel			Tar		
	New	Gravel- Tar /Paved	Maintained	New	Re-worked	Maintained
2015/16	0.0	0.0	422	0.00	0.00	3 805
2016/17	0.00	200		0.00	15 100	0.0
2017/18	0.00	7 620	1 162	0.00	3 500	4 648

Table 85.: Cost of construction / maintenance of roads

Employees: Roads and Storm water					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	16	9	9	0	0
4 - 6	43	48	45	3	6.25%
7 - 9	11	17	10	7	41.17%
10 - 12	4	4	4	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	72	78	64	10	12.82%
<i>Employees and Posts numbers as at 30 June.</i>					

Table 86.: Employees: Roads

Capital Expenditure 2017/18: Road Transport				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Reseal Van Riebeeck street - R/D	1040000	613065,37	426934,63	Tender was awarded to Entsha Henra. The contractor is onsite and will the project be completed by 30 September 2018. A motivation will be submitted to the finance department to transfer the remaining balance of R426 934.63 to the 2018/19 financial year as the project is already under construction and the funds are committed.



Capital Expenditure 2017/18: Road Transport				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Upgrade Strandstraat - JFT	600000	367087,4	232912,6	Tender was awarded to Entsha Henra. The contractor is onsite and will the project be completed by 30 September 2018. A motivation will be submitted to the finance department to transfer the remaining balance of R232 912.60 to the 2018/19 financial year as the project is already under construction and the funds are committed.
Paving of Gravel Roads Brian Weber Street - R/D	305000	0	305000	Tender served at the BEC meeting of 12 June 2018, where the tender was referred to the Bid Adjudication Committee for final award. The tender evaluation process was delayed due to compliance to Supply Chain Management requirements. One appeal was lodged against the award. currently in the process to amend the technical evaluation report to be tabled at the next Bid Evaluation Committee Meeting. A motivation will be submitted to the finance department to transfer the balance of R305 000 to the 2018/19 financial year as the project was scaled down to fall within the 2018/19 budget. With the additional funds the reduced scope of work can be extended to complete the full scope of work.
Paving of Gravel Roads Trevor Waterboer street - A/B	100000	0	100000	Tender served at the BEC meeting of 12 June 2018, where the tender was referred to the Bid Adjudication Committee for final award. The tender evaluation process was delayed due to compliance to Supply Chain Management requirements. One appeal was lodged against the award. currently in the process to amend the technical evaluation report to be tabled at the next Bid Evaluation Committee Meeting. A motivation will be submitted to the finance department to transfer the balance of R100 000 to the 2018/19 financial year as the project was scaled down to fall within the 2018/19 budget. With the additional funds the reduced scope of work can be extended to complete the full scope of work.
Westly road bypass (Development) - Stilbaai	300000	263157,89	36842,11	SMEC has been appointed to do the design, tender supervision of the project. Project to be implemented over 5 financial years. Construction to commence late in the 2018/9 financial year.

Capital Expenditure 2017/18: Road Transport				
R				
Capital Projects				
	Adjusted Budget	Actual Expenditure	Variance from adjusted budget	Comments
Paving of Streets - H/Q	526316	555028,65	-28712,65	An extension of time claim was submitted to include the project under Tender HES-TECH 02/1718 awarded to Entsha Henra. Funds have been fully spent
Paving of Streets - H/Q VAT	73684	0	73684	VAT on the EPWP project.
Storm water - Waterkantstreet - Pumpstation1 - S/B	320000	257617,04	62382,96	Tender was awarded to Entsha Henra, the contractor is onsite and will the project be completed by 30 September 2018. A motivation will be submitted to the finance department to transfer the remaining balance of R62 382.96 to the 2018/19 financial year as the project is already under construction and the funds are committed.
Storm water - Noordkapperstreet - Bitolaan - S/B	320000	178892,98	141107,02	Tender was awarded to Entsha Henra, the contractor is onsite and will the project be completed by 30 September 2018. A motivation will be submitted to the finance department to transfer the remaining balance of R141 107.02 to the 2018/19 financial year as the project is already under construction and the funds are committed.
Upgrade street and stormwater flood damage	7193254	7156495,4	36758,6	Riversdale and Heidelberg Project is completed
Upgrade street and stormwater flood damage VAT	1007056	0	1007056	Vat on Flood damage projects.

Table 87.: Capital Expenditure 2017/18: Road Transport

3.4.2 Waste Water (Storm water Drainage)

A) Introduction to Storm Water Drainage

The principles and procedures for storm water management establishment and formalization were focused on:

- The hydrological modelling of urban and rural drainage regions;
- The hydraulic analysis of conduits and natural waterways;
- The compilation of management scenarios;
- To identify, prioritize, find solutions and costing to upgrade sub-standard systems and
- Maintenance management

B) Service Delivery Information

The table below shows the total kilometres of storm water maintained and upgraded as well as the kilometres of new storm water pipes installed:

Storm water Infrastructure: Kilometres				
Year	Total Storm water measures	New storm water measures	Storm water measures upgraded	Storm water measures maintained
2013/14	82.1	0	0	82.1
2014/15	82.1	0	0.15	82.25
2015/16	82.25	0	0.13	82.38
2016/17	82.35	2	6	90.35
2018/19	0.05	Storm water pipes, catch pits	Catch pits	

Table 88.: Storm water Infrastructure Kilometres

Cost of construction Storm water Infrastructure cost:R'000			
Year	New	Upgraded	Maintained
2015/16	0.00	1 056	232
2016/17	0.00		
2017/18	90	35	1162

Table 89.: Cost of construction / maintenance of storm water systems

Capital Expenditure 2017/18: Waste Water Management				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from Adjusted budget	Comments
Upgrading of Pump station - Bosbokduin - S/B	60000	60000	0,00	The 2017/18 budget was fully spent. The project as awarded as a multiyear year project to Urhwebo e -Transand. The project will be completed by 30 September 2018
Extension of existing Sewerage Infrastructure (GLS) - Albertinia	500000	52938,9	447 061,10	Tender has been awarded to Singalakra Technologies. The contractor failed to submit the guarantee and was not allowed on site. According to the GCC 2015 failure to submit the contractual documentation within 14 days, might lead to termination, hence the contractor can submit the information after 14 days extension. The contractor failed to adhere to the condition and therefore his contract was terminated. according to SCM policy the second bidder was approach and accepted to complete the project with the same conditions at tender closing of 16 February 2018. A motivation will be submitted to the finance department to transfer the remaining balance of R447 061.10 0 to the 2018/19 financial year as the contract was cancelled with the contractor.
Bulk Sewer Upgrade phase 1 (GLS) - Stilbaai	3740000	2878795,8	861 204,20	The project as awarded as a multiyear year project to Urhwebo e -Transand. The project will be completed by 30 September 2018. A motivation will be submitted to the finance department to transfer the remaining balance of R 861 204..02 to the 2018/19 financial year as the project is already under construction and the funds are committed.
Flow meter - Sewerage - Hessequa	200000	0	200 000,00	The project as awarded as a multiyear year project to Urhwebo e -Transand. The project will be completed by 30 September 2018. A motivation will be submitted to the finance department to transfer the remaining balance of R200 000 to the 2018/19 financial year as the project is already under construction and the funds are committed.
Upgrading of Sewerage works - Gouritsmond	1100000	842259,16	257 740,84	Tender was awarded to Benver Civil and Plant Hire. Project to be completed by 07 December 2018. A motivation will be submitted to the finance department to transfer the remaining balance of R257 740.84 to the 2018/19 financial year as the project is already under construction and the funds are committed.
Upgrading of Sewerage works - Phase 2 - Riversdale	10224915	10409387,31	-184 472,31	The funds was fully spent.
Upgrading of Sewerage works - Phase 2 - Riversdale VAT	1431487	0	1 431 487,00	VAT on the MIG Project
Fencing Sewerage works - Oxidation ponds - Slangrivier	200000	200000	0,00	Project is completed

Capital Expenditure 2017/18: Waste Water Management				
R				
Capital Projects	Adjusted Budget	Actual Expenditure	Variance from Adjusted budget	Comments
Extension of flow sewer line (GLS) & School	60000	0	60 000,00	Professional fees and the project will be included under the scope of the Bulk Sewer tender in Stillbay. A motivation will be submitted to the finance department to transfer the balance of R60 000 to the 2018/19 financial year.
Upgrade Existing Gravity - GLS Development	553000	174268,13	378 731,87	Benver Civil was awarded the contract, project currently under construction. A motivation will be submitted to the finance department to transfer the remaining balance of R378 731.87 the 2018/19 financial year as the project is already under construction and the funds are committed.
New Gravity Distribution - GLS Development	429200	114683,6	314 516,40	Benver Civil was awarded the contract, project currently under construction. A motivation will be submitted to the finance department to transfer the remaining balance of R378 731.87 the 2018/19 financial year as the project is already under construction and the funds are committed.

Table 90.: Capital Expenditure 2017/18: Waste Water Management

3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

The Department of Development Planning consists of the following four sections namely:

- Town Planning
- Building Control
- Environmental Management
- Economic Development & Tourism

The department focuses primarily on the planning, design, implementation and management of public interventions in the development and use of land from site to supranational level and the promotion of economic development. The intentions of these interventions are to widen choice, promote equity and ensure sustainable development. Individuals, groups and communities generate within society and economic activities, which place demand on the use of land. This department is concerned with the arrangement and allocations of these land uses and must ensure that development will take place in a healthy and orderly way to the social and economic advantage of the community.

3.5.1 PLANNING

A) *Introduction to Planning*

The following spatial development strategies have been formulated to correspond with the spatial development objectives:

- Consolidate and integrate spatial development by developing land in proximity to public transport facilities and existing services.
- Identifying zones of opportunity according to land needs.
- Pro-actively manage land use and set appropriate levels of service to achieve sustainability.
- Implement the principles of integrated Environmental Management
- Identify resources and manage land use in valuable resource areas.

The main focus on service delivery is the processing of land use applications and building plans and to investigate illegal building activities. With the introduction of a new GIS system and software, most land use applications and building plans can be processed within two weeks and finalized within three months.

B) *Service Delivery Information*

Applications for Land Use Development						
Detail	Formalization of Townships		Rezoning		Built Environment	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Applications received	1	1	33	25	795	594
Determination made in year of receipt	1	0	14	17	795	594

Applications for Land Use Development						
Detail	Formalization of Townships		Rezoning		Built Environment	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Determination made in following year	0	0	2	0	0	0
Applications withdrawn	0	0	0	1	0	0
Applications outstanding at year end	0	1	17	8	0	0

Table 91.: Application for Land Use Development

Employees: Development Planning					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	1	1	0	1	100%
7 - 9	1	1	1	0	0
10 - 12	2	3	2	1	33%
13 - 15	2	2	2	0	0
16 - 18	1	1	1	0	0
19 - 20	0	0	0	0	0
Total	7	8	6	2	25%
<i>Employees and Post numbers as at 30 June.</i>					

Table 92.: Employees: Development Planning

3.5.2 LOCAL ECONOMIC DEVELOPMENT

A) Performance Highlights

Performance highlights for the 2017/2018 financial year are:

ECONOMIC DEVELOPMENT STRATEGY REVIEW

The economic development strategy review has been identified as a top layer key performance indicator for the 2017/2018 financial year. The objective of the reviewed LED Strategy / framework is to provide strategic direction in terms of economic programmes and projects for the remaining term of Council. The draft strategy was to Council in June 2018. This will be followed by an extensive consultation process in

the 2018/19 financial year, where after it will be tabled to Council. Key strategic thrusts of the framework are:

- Investment Promotion i.e. IFSOP
- Business retention & Expansion
- Informal trading business infrastructure Development per towns
- Preferential Procurement Policy & Implementation Plan
- Business Development and the Informal Economy
- Commonage Development and Management for municipal owned land
- Targeted focus on Green Economy e.g. recycling

To give effect to the strategic thrusts as indicated above, the importance of cross functional departmental working teams becomes crucial in realizing the economic potential of the region. Hence the importance of incorporating economic development as a key performance indicator of each directorate to monitor and evaluate its direct and or indirect performance and contribution to the local economy. All the above is underpinned by a functional LED Governance structure, with emphasis on focused partnership with private sector and civil society.

BUSINESS SUPPORT TO SMALL MEDIUM AND MICRO BUSINESSES

The LED Unit facilitated several SMME support initiatives during the 2017/2018 financial year. The objective of the programme is to provide support to local entrepreneurs through the provision of access to information and access to funding for local entrepreneurs.

Key initiatives were the:

- LED Outreach, as part of the Thusong Mobile Outreach Programme in Albertinia, Heidelberg & Riversdale. Assistance offered was information on business funding for entrepreneurs, the establishment of cooperatives and general information on what assistance / services are offered through the LED Department.
- Training & Awareness Sessions offered during 2017/2018 financial year:

1. Health & Safety Training

Coordinated for local emerging contractors, whereby the LED Department in collaboration with the Department of Public Works, coordinated the attendance of local emerging contractors to attend a five-day training on health and safety compliance in Swellendam. The purpose of the training is to capacitate CIBD registered building and civil contractors with health and safety skills. In total five [5] local contractors registered for the training, after the publication of notice of training was advertised and e-mailed to entrants on the LED Database. The outcome of the training that the contractors received certificates of attendance and broaden their knowledge on health and safety aspects to enhance their businesses.

2. Cooperative Governance Training in Partnership with National Youth Development Agency [NYDA]

The LED Department in collaboration with the National youth Development Agency [NYDA] coordinated training on cooperative governance for youth. In total thirty [30] youth entrepreneurs attended the event, after notices, SMS and emails was placed in the local newspaper, as well as distributed to ward councillors and advertised on the notice boards in the various towns. The focal point of the training to provide youth with the skills on managing their enterprises.

3. Tender Training facilitated by Small Enterprise Development Agency [SEDA]

Tender training for local registered contractors was also conducted with a core focus on occupational health and training Compliance, human resource processes, tendering and compilation of costing & pricing. In total fifteen 915) local contractors attended the three-day session, after the notices was placed and advertised in all towns. The outcome of the training was equipping the local contractors to become ready to solicit for work at various institutions.

4. Supplier Information sessions with Cape Bentonite Mine [Heidelberg]

Several information sessions were held with local entrepreneurs and small and medium enterprises in Heidelberg on opportunities at the Cape Bentonite Mine. These sessions were facilitated by the Supply Chain Manager at the Mine explaining their processes and informing local businesses on opportunities pertaining to services and products required by the mine. A link has also been established on the municipal website whereby the mines procurement opportunities is advertised for local businesses to access the information.


- Business Development Help Desk – Walk in Centre

In total hundred and twenty [120] clients were assisted, an average of eleven [11] clients per month. Assistance offered was on pre-assessment of business idea and compilation of business plans, information on how to start up a business, registration on construction industry development board and grading process, company registrations, information and assistance on how to register on the central supplier database, business funding application assistance, SARS Compliance enquiry, NPO Funding enquiries and emerging farmer funding, whereby consultation with the Department of Agriculture was coordinated at the offices and coordination of appointment for clients with SEDA.

- Business Infrastructure for Entrepreneurs

- (i) Diepkloof Business Hub

Building plans for Diepkloof Business Hub have been drafted. The Municipality is in process of consolidating the land, where after the building plans can be submitted for approval. Cape Bentonite Mines, as funder of the development, will appoint service providers to commence with construction of facility, once approval has been granted. The proposed completion date for Diepkloof December 2018.

GENERAL NOTICE IN TERMS OF TRANSFORMATION OF CERTAIN RURAL AREAS ACT NO. 94 OF 1998	
Notice is hereby given in terms of Section 9 (1) (a) of the Transformation of Certain Rural Areas Act, No. 94 of 1998 on the commencement of the Transformation period for the following:	
Board Areas	: PNIEL; SARON; SLANGRIVIER AND SUURBRAAK
Municipalities	: Stellenbosch, Drakenstein, Hessequa and Swellendam Local Municipalities, Western Cape Province
Commencement Date	
Effectively from the date of the publication of this Notice,	
<ol style="list-style-type: none"> 1. A municipality of a board area must within 3 months after the date of this Gazette Notice submit a notice to the Minister of Rural Development and Land Reform setting out how and when it intends determining to which entity the land referred to as section 3 should be transferred; or 2. If the municipality fails to submit a notice, an elected committee, elected by the residents of the board Area who have reached the age of 18 years may submit such notice to the Minister of Rural Development and Land Reform. 	
NOTICES should be sent to:	
The Minister of Rural Development and Land Reform Provincial Shared Service Centre Private Bag X9159 Cape Town 8000	
Tel: (021) 409 0323 Fax: (021) 409 0563	
 GUGILE NKWINTI (MP) MINISTER FOR RURAL DEVELOPMENT AND LAND REFORM DATE: 15/08/2016	

SLANGRIVIER TRANSFORMATION

The Department of Rural Development and Land Reform appointed a service provider to complete the Slangrivier TRANCRAA Process which started in 2005. The objective of the Transfer of Certain Rural Areas Act (TRANCRAA Act 9 of 1998) is to provide for the transfer of certain land to an entity of choice by the local Act 9 community i.e. municipality or another legal entity of choice i.e. Community Property Association", Trust or Municipality. A transformation Committee has been established to drive the process in collaboration with the Department and the Municipality, facilitated by a service provider. The Municipality formally request the Minister to place a notice announcing the 18-month period announcing the start of the transformation process for Slangrivier. The Slangrivier Transformation Process has been officially gazetted on 30 September 2016, announcing the beginning of the transformation process i.e. transfer of land process to entity of choice as decided by the local community of Slangrivier. Subsequent to the gazetting, the Municipality endorsed the process plan for the completion of the 18-24 month's process and submitted to the Minister of Rural Development and Land Reform for endorsement. Continuous consultations will be conducted between the various role-players in the 2018/2019 financial year to complete the process by September 2018. Outstanding actions for completion of the process is the proposals on entity of choice by the community, the community referendum and the final report to the Minister of Rural Development and Land Reform on the outcomes and proposal endorsed by the community. The date for completion of the process is end September 2018.

INVESTMENT FACILITATION STANDARD OPERATING PROCEDURE [IFSOP]

The main purpose of the Investment Facilitation Standard Operating Procedure [IFSOP] is to create uniform investment promotion and facilitation processes and procedures in the Municipality to attract new investors, and retain existing ones, whilst at the same time satisfying the legal and legislative objectives, as well as the governance objectives of economy, efficiency and fairness. The main objectives of the IFSOP are to:

- Provide clarity of the relevant legal and legislative framework in relation to Investment Opportunities.
- Assist in the streamlined management and finalization of Investment Applications.
- Enable the correct identification and classification of Investment Opportunities.
- Provide a Supply Chain Management (SCM) system process that will ensure clarity and consistency.
- Provide an Investment Opportunity recording process that will ensure transparency.
- Provide further guidelines and procedures (the 'HOW').
- Make officials aware of the treatment and/or management of Investment Opportunities.
- Instil best practice.
- Strengthen the control environment.
- Establish a single point of access for the management of Investment Opportunities.
- Assist management to appropriately act on Investment Opportunities.
- To strengthen the ability to manage Investment Opportunities.
- To create a central capacity to manage Investment Opportunities.

On 24 October 2017, Collab Ref Number: 1071126, Council adopted in principle the policy statements. Subsequent to the adoption of the principles a service provider was appointed to assist with the development and the drafting of an implementation plan for the IFSOP. This was co-funded by the Department of Economic Development and Tourism, after a funding application was submitted. The concept IFSOP was tabled in June 2018 to Council for approval.

Performance Highlights for Tourism & Tourism Development

Performance highlights with regard to tourism and tourism development for 2017/2018 financial year are:

- 90% Expenditure of Tourism Operational Budget spend in the 2017/2018 financial year for tourism specific initiatives, excluding general operational items reflecting on tourism budget general operational costs (i.e. telephone & fax, skills development levy, workmen compensation and OPR Leases). Projects and operational activities funded from tourism operational budget were the concluding of the tourism audit, marketing material, branding and advertisements/advertorials, events/festival support, website system redesign and maintenance/hosting and dropbox renewal, tourist month celebration network session, material and supplies, arrive alive campaign, route development [Heidelberg Birding Route], network and awareness sessions. Given the budget, in order

to give effect to the tourism implementation plan, sufficient budget needs to be made available to ensure the successful implementation of the approved tourism framework with maximum output and impact. This needs to be seriously considered by Council.

- **Approved tourism framework and Implementation Plan**

The tourism framework and implementation plan were adopted by Council in September 2017. Key outcomes/actions of the tourism implementation plan were as:

Summary of recommendations / proposed actions are as follow:

- Establish partnerships
- Market existing products/services
- Host Educational
- Tourism Audit
- Transformation
- Route Development
- Regional Festival / Event/s
- SMME support & development

Actions completed based on the implementation plan is the tourism audit conducted for the region. This will be extended by conducting a tourism audit of services, products, infrastructure and skills requirements to town level in the 2018/2019 financial year.

The establishment of partnerships is ongoing, and was kick started with network sessions across the region and per town and wards to obtain buy-in and to start building relationships leading to partnership agreements. This will be a continuous process of consultation throughout 2018/2019 financial year.

Generic marketing is also conducted, until the route development per town has been concluded. In 2018/2019 financial year research and investigation will be conducted on the potential and viability of the different routes which have been identified.

TOURISM BUSINESS AND SUPPORT INITIATIVES (DEVELOPMENT)

The focus of the tourism business and support initiatives is to create awareness, provide training and support to develop local tourism products to become part of the mainstream tourism industry.

- **Event / Festival Support**

In total five (5) applications were received for financial assistance thin the 2017/2018 financial year. In total hundred and twenty thousand rand (R 120 000.00) was approved to support the events i.e.; Baleia MTB Challenge (R20 000.00), Witsand Vlakte Marathon (R20 000.00), Proe Bietjie Fees (R20 000.00), Hessequa T20 Cricket Tournament (R20 000.00) and the Explorers Festival

(R40 000.00). The applications for funding was ascertained according to the approved events and festival framework as approved by Council in September 2016. The events/festival framework provides a guideline for events / festival support and the assessment criteria.

TOURISM SIGNAGE APPLICATION FACILITATION

As part of tourism development and promotion is the tourism signage application facilitation, whereby accommodation establishments apply for tourism signs (brown tourism signage) via the Municipality at the regional tourism liaison committee. In total six (6) applications were tabled to the committee, whereby four (4) were approved.

- Approvals received for Voëlroepersfontein Guest House (Albertinia) (accommodation), Whispering Tree (Albertinia) (tourist attraction), Bali Trading (Riversdale) (Tourist Attraction) and Ibalansi Horse Centre (Riversdale) (Tourist Attraction).
- Rejected applications were Super Fine Pigment (Albertinia) (tourist attraction) and Inverroche (Still Bay (tourist attraction).
- Super Fine Pigment was rejected due to noncompliance to the standard tourism criteria and standards as per approved tourism signage guideline.
- Inverroche was declined due to the application on the N2 and according to the guideline application for signage can only be made to the nearest numbered route.

CHALLENGES - LED & TOURISM

DESCRIPTION	ACTION TO ADDRESS
Lack of institutionalised representative governance structures for LED & Tourism	The lack if institutionalised representative governance structures to drive the agenda of tourism and LED needs to be addressed. As a critical outcome of the implementation plan for LED this is a key focal point to address the skewed ownership patterns, inequality in the area.
Tourism Budget deficiency	Review of the tourism function to identify key focus areas for interventions to harness economic development. Hence the finalising of the implementation plan for the next five (5) years to provide strategic direction for tourism.
Lack of staff in the LED & Tourism Department	Given the geographic spread of the municipal area, the staff deficiency in the department have an impact on delivery of services per town. Two unfunded posts have been approved in the 2015/2016 financial years, but costs could not have been filled to date. The increase in workload and needs of the community, places more pressure on the LED & Department to deliver crucial services to the community. The non-funding of these posts leads to a department not realising the full potential of the community in need.

C) LED Strategy

The Draft LED Strategy has been completed and tabled to Council in June 2018 for adoption. This strategy will be consulted with the stakeholders and the final strategy with an implementation plan will be tabled to Council by end October 2018.

Employees: LED & Tourism					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	2	4	2	2	50%
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	3	5	3	2	40%
<i>Employees and Post numbers as at 30 June.</i>					

Table 93.: Employees: LED and Tourism

3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

Hessequa Municipality, in collaboration with the Provincial Library Service of the Western Cape provides a comprehensive library service to the people in the area. The Library Service strives to improve the quality of life of all inhabitants, change and uplift communities and promote literacy.

The Library Service endeavours to promote awareness of the benefits of library use within the whole community and continuously promotes a reading and learning culture with free access to information. The nine formal libraries, one satellite library and four mini Libraries make great effort to develop an educated society through programs that enhance literacy and culture including lifelong learning.

The museum service aims to promote respect for cultural diversity in South Africa and appreciation of our natural heritage. The museum service therefore sets out to build understanding and pride of our diverse heritage through the affiliated museums. Hessequa comprise of 2 official private sector driven museums and 1 Africana Centre managed by the municipality, which develops and promotes exhibitions and programs for educational purposes and the public interest.

The vision of Council for social development is:

HUMAN DEVELOPMENT INITIATIVES TO ENHANCE THE SOCIAL WELL-BEING OF ALL OUR RESIDENTS.

- Promote integrated Social development and Developmental Social Services that will be accessible, affordable and appropriate to disadvantaged communities.
- To promote Developmental Social Welfare aimed at the youth the aged, disabled persons, families, children and the empowerment of women.
- Promote comprehensive service delivery through a sustainable Thusong Centre programme.
- To improve the quality of life of the total community within the Hessequa Municipal area through the provision of appropriate and accessible Developmental Community Services in collaboration with the communities to be served as well as other partners in a suitable manner.
- Promote integrated arts, cultural, capacity building and sport programmes and services that are accessible and address the cultural and recreational needs of the community, with special emphasis on the youth.

The Mission of the Department of Social Development can be proposed as:

To ensure the provision of comprehensive, integrated, sustainable and high quality social development services against vulnerability and poverty, and to create an enabling environment for sustainable development in partnership with those committed to building a caring society.

Sport Development:

The Hessequa Municipality strives to plan, prioritize, provide, maintain and manage sport facilities that meet the needs of all of its sporting codes in a manner that addresses the past imbalances and enable the sustainable development of sport and the general improvement of the quality of life of all its residents. Furthermore, we are committed to support codes to present, promote and host international, regional as well as community sport and recreational programs and events that will enhance the quality of life for our inhabitants. We envisage that such events will contribute to the financial growth of the Hessequa Municipal area. The Hessequa Municipality pro-actively encourage the inhabitants of the Hessequa to partake in sport and recreation programs as well as cultural events, thereby developing the self-esteem of individuals whilst contributing positively to the development of a healthy and vibrant community and ultimately a strong town.

The Hessequa Municipal Sport Council was established in June 2017 with the following objectives:

- To promote the interests of Hessequa Municipal Sport Council, and its components, and its athletes, and to uphold the rules of the local municipality and to uphold the rules relative to the eligibility of athletes to compete under the rules of the local municipality;
- To administer the Hessequa Municipal Sport Council and its components under the jurisdiction of the Eden Sport Council;
- To hear appeals against the decisions of Members, and to pronounce upon such appeals;
- To organize sport events within the boundaries of the municipality
- to maintain the principle of non-discrimination in respect of race, gender, religion, disability and political views.
- To give input into the IDP and municipal budget.
- To advice council on sport development programmes and sport infrastructure development.

Thusong Centre Programme

The Thusong Centre programme is the Flagship implementation programme for various initiatives, and is currently seen as a best practise in the Western Cape. A total number of 38571 persons visited this centre to obtain a variety basket of services, mostly which are of government such as Home Affairs, Labour, CPS, SARS, CCMA, IEC, Cape Access/E-Centre, Health, Education, etc.

3.6.3 Child Care, Aged Care And Social Programmes

A) *Introduction to Child Care, Aged Care and Social Programmes*

In Hessequa the aspects/programs/interventions for child- and aged care, falls under the ambit of the broader social development programs rolled out through the Thusong Centre program.

Child Care

The municipality partner with various stakeholders, organizations and sector departments to assist with child care and Early Childhood Development (ECD) if and when required, for example; with registrations, capacity building, making available suitable land, as well as financial assistance.

Youth Development

The Youth Development Programme aims to enable the youth to take responsibility for a positive lifestyle and to contribute through skills development, behaviour modification, recreation and to participate in family and community activities, as well as for their own mental health and emotional well-being. The programme operates from a premise of encouraging positive behaviour through integrated social development programs utilizing social inclusion of "out of school" and "in school" youth to become responsible citizens through sport, life skills training, internships, etc. Hessequa municipality embraced the Chrysalis program of the provincial department of Public Safety as a conduit to achieve life skills development of youth. The youth are placed within the various departments in the municipality to further prepare them for the job market. The Hessequa Municipality aims to open its first Youth Café within the 17/18 financial year.

Hessequa Social Advisory Forum

A coordinating body, the Social Development Advisory Forum, was formed which act as platform where structured engagements with regards to matters in the social fraternity take place. This body comprise of representatives from civil society role-players, sector departments as well as the municipality. These forum meets quarterly and has the following focus areas:

- Youth Development
- Sport and Culture
- Institutional Capacity
- HIV/AIDS, TB and STI's, Teenage Pregnancies

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

- Food Security
- Early Childhood Development
- Elderly
- Persons with disabilities
- Substance abuse
- Women and Children
- Rural Development

Monthly and quarterly reports on the activities of the Forum are submitted to Council.

3.6.1 LIBRARIES

A) *Highlights: Libraries*

Highlights	Description
Mandela Day 18 July 2017	Outreach activities ranged from clean-up campaigns at local schools, food donations to homeless people, visits to schools, old age homes and storytelling sessions were organised. Displays were presented to celebrate Nelson Mandela's birthday and promote the idea that each person has the power to change the world
Women's Day 9 August 2017	Talks, tea parties and displays were presented
Literacy Day 8 September 2017	Displays, talks and storytelling sessions were presented to raise awareness on the issues surrounding adult and child literacy in South Africa
Book Launch 26 September 2017	Launching of the book, Zero guarantees: from sex to surro to siblings written by Christelle Oosthuizen
Heritage Day 24 September 2017	Discussions, storytelling hours and visits to schools were presented to encourage people to celebrate their culture and the diversity of their beliefs and traditions
Book launch 26 September 2017	The launching of The layman's guide to common trees of Hessequa (Southern Cape) by Naomie van Schalkwyk and Patrick Duddy presented at Still Bay Library
16 Days of Activism for No Violence Against Women and Children 25 November – 10 December 2017	Displays, activities, storytelling and discussions were presented to raise awareness of the negative impact that violence has on women and children....
Read Aloud Day 1 February 2018	Various activities, e.g. performances, talks, competitions and displays were presented to celebrate literacy and the power of reading
South African Library Week 8 - 23 March 2018	South African Library Week was celebrated from 8 – 23 March 2018 with the theme, <i>Read, learn, grow @ your library</i> . A wide



Highlights	Description
	range of activities were presented to enhance literacy and culture including lifelong learning
World Book Day 23 April 2018	Performances, displays, visits to schools and talks promoted the importance of books and reading
Africa Day May 2018	The staff were dressed in traditional clothes and talks, activities as well as displays highlighted this subject
Book discussion 23 May 2018	A book discussion led by the authors, Naomie van Schalkwyk and Patrick Duddy of The layman's guide to common trees of Hessequa (Southern Cape) was presented at Riversdale Library
Youth Day 16 June 2018	Displays and talks on Youth Day <i>were presented to remember the youth of 1976 and what transpired on the day</i>

Table 94.: Libraries Highlights

B) Service Statistics for Libraries

Type of service	2016/2017	2017/18
Library members	14 675	15 093
Items circulated	398 218	372 774
Exhibitions held	905	1 005
Outreach activities	2 069	2 259
ICT users	-	17 045

Table 95.: Service Statistics for libraries

Employees: Libraries					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0
4 - 6	16	11	8	3	27.27%
7 - 9	6	6	6	0	0
10 - 12	1	2	2	0	0
13 - 15	2	2	2	0	0

Employees: Libraries					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	27	23	20	3	13.04%
<i>Employees and Post numbers as at 30 June.</i>					

Table 96.: Employees: Libraries

3.6.2 CHILD CARE, AGED CARE AND SOCIAL PROGRAMMES

A) Introduction to Child Care, Aged Care and Social Programmes

In Hessequa the aspects/programs/interventions for child- and aged care, falls under the ambit of the broader social development programs rolled out through the Thusong Centre program.

Child Care

The municipality partner with various stakeholders, organizations and sector departments to assist with child care and Early Childhood Development (ECD) if and when required, for example; with registrations, capacity building, making available suitable land, as well as financial assistance.

Youth Development

The Youth Development Programme aims to enable the youth to take responsibility for a positive lifestyle and to contribute through skills development, behaviour modification, recreation and to participate in family and community activities, as well as for their own mental health and emotional well-being. The programme operates from a premise of encouraging positive behaviour through integrated social development programs utilizing social inclusion of "out of school" and "in school" youth to become responsible citizens through sport, life skills training, internships, etc. Hessequa municipality embraced the Chrysalis program of the provincial department of Public Safety as a conduit to achieve life skills development of youth. The youth are placed within the various departments in the municipality to further prepare them for the job market.

Hessequa Social Advisory Forum

A coordinating body, the Social Development Advisory Forum, was formed which act as platform where structured engagements with regards to matters in the social fraternity take place. This body comprise of representatives from civil society role-players, sector departments as well as the municipality. These forum meets quarterly and has the following focus areas:

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

- Youth Development
- Sport and Culture
- Institutional Capacity
- HIV/AIDS, TB and STI's, Teenage Pregnancies
- Food Security
- Early Childhood Development
- Elderly
- Persons with disabilities
- Substance abuse
- Women and Children
- Rural Development

Monthly and quarterly reports on the activities of the Forum are submitted to Council.

B) Highlights: Child Care, Aged Care, Sport development and Social Programmes

Highlights	Description
Thusong Centre Mobile outreach Programme	<p>The Thusong Centre Mobile Community outreach programme was the only Municipal outreach programme that reached a 100% target within the Western Cape. The aim of the programme is;</p> <ul style="list-style-type: none"> • To build communities and to change lives; • To bring government services to communities especially to our rural areas; • To build partnerships with national, provincial and local service providers; • To give effect to the principles of "Batho Pele "we <i>belong, we care, we serve</i>. <p>Five outreach programs were conducted in the 2017/2018 financial year. These areas included, Slangrivier, Heidelberg, Riversdale, Melkhoutfontein and Albertinia. The number of citizens that was reached through this initiative was 8750.</p> <p>The success of this program lies within the fact that all our partner's/ role players are committed to bring along change within our communities;</p> <p>The Hessequa municipality are committed to continue with this program because we can see the impact this program makes within the lives of our people</p>
Hessequa Sport programs	<p><i>"Every Champion was once a contender that refused to give up"</i> (Rocky Balboa)</p> <p>Our people love sport. Its values –fitness, fair play, teamwork and the pursuit of excellence are universal. At its best, it brings people together no matter what their origin, background, religious beliefs or economic status.</p> <p>When young people participate in sport or have access to physical education, they can build up their health and self-esteem, use their talents to the fullest, learn the ideals of teamwork and tolerance, and be drawn away from the dangers of drugs and crime.</p> <p>That is why the Department of Community services is turning more and more often to sport for help in our work in development and in our effort to achieve our goals.</p> <p>The sporting programs that the department conducted in this financial year included;</p>



Highlights	Description
	<p>Chess, Rugby, Netball, Mini Cricket/cricket, Golden Games, Athletics, Indigenous games, Table tennis, Soccer, Rural Sports Day, Sport Festival, and Holiday programs. More than two thousand citizens could be reached through this programme.</p> <p>It needs to be noted that all sporting initiatives were rotated throughout the Hessequa municipal area as follows: Chess (Heidelberg), Rugby (All Hessequa Towns), Netball (Hessequa Towns), Mini Cricket (Melkhoutfontein)/cricket (Riversdale/Melkhoutfontein), Golden Games (Riversdale), Athletics (Riversdale), Indigenous games, Table tennis (Riversdale, Melkhoutfontein), Soccer (Riversdale/ Albertina/Heidelberg/Gouritsmond), Rural Sports Day (Riversdale), Sport Festival (Albertinia, Riversdale, Heidelberg, Slangrivier and Melkhoutfontein), Darts (Riversdale) and Holiday programs (Drooggrivier, Garcia, Riversdale, Albertinia, Gouritsmond). More than two thousand citizens were reached through these programmes/initiatives.</p>

Table 97.: Child Care, Aged Care and Social Programmes Highlights

C) Challenges: Child Care, Aged Care and Social Programmes

Description	Actions to address
The lack of funding will always be a big challenge in addressing social needs.	<p>As a department it will be impossible to address social needs alone. That is why it is important to partner with relevant stakeholders in addressing these needs. If you share resources a more effective service can be delivered, and a bigger impact will be made.</p> <p>Hessequa Municipality's Community Development Division has a standing MOU with the Department of Social Development. There are a few challenges that this Department encounters with joint ventures and programmes with the Department of Social Development. Some of the challenges are a lack of funding for programmes and projects from the Department of Social Development and the fact that joint ventures and programmes are mainly implemented by Hessequa Municipality's Community Development.</p>
Inter Departmental Relationships: Many challenges, internally, derive from poor inter departmental relationships. Poor relationships between departments, hampers effective service delivery. In our department, because of the nature of our work, it is necessary that we must get the buy in of other departments like Technical services, Co-operate services, Local economic development etc.	The idea of an Inter departmental working group was raised and will be explored further.

Table 98.: Child Care, Aged Care and Social Programmes Challenges



D) Service Statistics for Child Care, Aged Care and Social Programmes

Description	2017/18
Municipal Thusong Outreach Programs (Jamboree's)	Five mobile programs have been conducted; Slangrivier, Heidelberg, Albertinia, Melkhoutfontein, Riversdale The total number of people reached 8750.
Hessequa Tag Rugby tournament	The Hessequa tag Rugby Tournament took place in August 2017 with ten participating primary schools. A number of 350 children could be reached through this event. The aim of the event is to promote mass participation and to encourage a healthy lifestyle. This tournament also breeds the young and potential rugby players of our primary schools. The Tag Rugby provides the necessary exposure in our area to those kids who never experienced tag rugby or even rugby before.
Sport and Coaching Clinics	<p>There are currently two (2) MOD Centres in Hessequa and operates in Riversdale and Heidelberg. The main focus of the MOD Centres is:</p> <ul style="list-style-type: none"> • Mass Participation – Providing school sport coaching for the masses; • Opportunity and access: Creating sport based access and opportunity for all; • Development and Growth: Developing and growing basic skills; • Sport: Providing school sport <p>These coaching clinics are conducted daily with + - 40 learners participating on a daily basis. The sporting codes include chess, Hockey, Rugby, netball, Volleyball, indigenous sport, athletics, cricket, Baseball, football and table tennis. The MOD Centres are actively involved in a lot of our sporting programs like the District Indigenous Games.</p> <p>The expertise and experience of these centres are constantly being used for the development of sport and young sportsman and woman in Hessequa</p>
Programmes for the elderly	<p>A senior citizen active ageing programme was held on the following dates with the respective senior citizen clubs.</p> <ul style="list-style-type: none"> ○ OLIVES SENIOR BURGER KLUB - 7 NOVEMBER 2017 ○ HEIDEL SENIOR BURGER KLUB -16 NOVEMBER 2017 ○ RIVER VALLEY SENIOR BURGER KLUB -23 NOVEMBER 2017 ○ GOLDEN OLDIES SENIOR BURGER KLUB -28 NOVEMBER 2017 <p>The Annual Hessequa Golden Games took place during September 2017 in Riversdale. A Hessequa Senior citizens athletics team participated at the district Golden Games event in Oudtshoorn, in August 2017. Two senior citizens from the Hessequa Region participated in the National games in Durban.</p> <p>Hessequa Municipality's Department of Community Development, in cooperation with the Provincial Government of Local Authorities, launched an ID Outreach Program for Senior Citizens in Hessequa. A total of 325 senior citizens have been issued with their new ID cards.</p>
Hessequa Youth Development Programmes	The Community Development office understand the fact that the Socio – Economic challenges, has a direct impact on the youth. There-for the Community Development office, are fully aware of the importance to capacitate the youth with the necessary skills, knowledge and hope for tomorrow.

Description	2017/18
	<p>For the financial year the Social Development office managed to successfully hold the following programmes and activities for youth:</p> <p>Winter School Holiday Programme in Albertinia on 5 & 6 July 2018 and in Gouritsmond on 17 July 2017</p> <p>Youth Camp at Still Bay from 15 till 16 July 2018 . The target group were youth in foster care between the ages of 14 and 17 years.</p> <p>An October School Holiday Programme was held from 2 till 6 October 2017 in Riversdale.</p> <p>The Social Development Division in co-operation with the Riversdale E-Centre held a very successful graduation ceremony on 13 October 2017. A total of 87 students of which 12 students were grade 12 pupils, successfully completed the programme and was rewarded for their hard work.</p> <p>The Annual Hessequa Chess Tournament – A total of 190 youth in the Hessequa Region took part in the tournament on 21 October 2017 at the Heidelberg Civic Centre.</p> <p>A very successful therapeutic Youth Development Programme was held on 30 November 2017 in Riversdale with 40 youth who are confronted with social ills on a daily basis in Riversdale. These youths were encouraged to rise above their circumstances</p> <p>A December School Holiday Programme was held on 13 and 14 December 2017 at the Child Welfare Premises. The children actively took part in various activities, such as playing games, singing, storytelling and singing.</p> <p>A very successful leadership workshop was held on 19 February 2018 with pupils from the surrounding rural areas.</p> <p>The annual Drama Festival (the finals) was held on 24 February 2018 at the Riversdale Civic Centre.</p> <p>Hessequa Municipality's Social Development Division in cooperation with Albertinia SAPS, Child Welfare Albertinia and AYDAC, a local youth forum, held a successful youth weekend on 15 and 17 June 2018.</p>
Early Childhood Development within Hessequa	<p>The Social Development office cannot put more emphasis on the importance of Early Childhood Development, within Hessequa. We are fully aware of the fact that, this level is the most important level, for creating a healthy community.</p> <p>The Social Development sits in at the Hessequa ECD forum, in order to establish the network between the ECD representative and the Hessequa Social Development Advisory forum.</p> <p>The finalisation of the Hessequa ECD Policy is currently in its final stage</p> <p>An ECD Computer training certificate ceremony was held on 17 November 2017 in Riversdale in co-operation with the Riversdale E-Centre. Forty pre-school children were rewarded with a certificate for their hard work.</p>
People with Disabilities initiative	<p>The Social Development office understands the challenges people with disabilities are facing, for that reason people with disabilities are part of our Social Development Strategy.</p> <p>The Social Development office manage to attend various meetings of the Association for People with Disabilities, with the focus to establish an effective network between People with disabilities, the representative for People with Disabilities and Hessequa Social Development Advisory forum.</p> <p>A sport day for persons with disabilities were held at Mossel Bay on 1 September 2017. The social development division recruited the athletes and transported them to the sport event.</p>

Description	2017/18
Hessequa Social Development Advisory Forum	<p>A coordinating body, the Social Development Advisory Forum, was formed which act as platform where structured engagements with regards to matters in the social fraternity take place. This body comprise of representatives from civil society role-players, sector departments as well as the municipality. These forum meets quarterly and has the following focus areas:</p> <ul style="list-style-type: none"> • Youth Development • Sport and Culture • Institutional Capacity • HIV/AIDS, TB and STI's, Teenage Pregnancies • Food Security • Early Childhood Development • Elderly • Persons with disabilities • Substance abuse • Women and Children • Rural Development <p>The Hessequa Social Development Advisory Forum also initiated outreaches to the various towns in Hessequa with the aim of establishing a sub-forum in each town. A representative of this sub-forum will attend the quarterly meetings of the Hessequa Social Development Advisory Forum, which will create a platform for the sub-forum of each town, to canalize their social challenges in the respective towns.</p>
Planning	<p>➤ The Community Development office in conjunction with the Hessequa Social Development Advisory forum, set up a year plan in order to address the Social challenges, who was identify in the past year.</p> <p>➤ The Community Development division are in the process of drawing up a long term Social Development Strategy, in line with the long-term strategy of Council.</p>
Special events hosted	<p>Social Development events:</p> <p>16 DAYS OF ACTIVISM OF NO VIOLENCE AGAINST WOMEN AND CHILDREN- A very successful campaign was held on 24 November 2017 in co-operation with various stakeholders. Vulnerable groups, such as children, women, persons with disabilities and senior citizens took part in this campaign.</p> <p>CHILD PROTECTION WEEK- On 4 June 2018 presented a Child Protection Program was held at the Civic Centre, with the purpose of educating our community about the child's right to maintenance in order to address the malpractice of maintenance. Advocate Deon Ruiters employed by the National Prosecuting Authority and Magistrate Andre Maqubu facilitated the program.</p> <p>A door-to-door campaign was held on 30 May 2018 in collaboration with Riversdale SAPS, Child Care Riversdale and Department of Social Development, which formed part one of the child protection week activities</p> <p>WOMEN'S DAY – A Women Empowerment Programme was held on 9 August 2017 The focus was on women/ mothers whose children are dependent on illegal substances.</p>

Description	2017/18
	<p>Sporting/ Cultural Events:</p> <p>Hessequa Sports Festival tournament took place in March 2018 in place of the Hessequa rugby cup. The whole idea behind the festival was to provide more sporting codes with exposure as well as financial support with this festival.</p> <p>The festival took place over the Easter weekend. The following sporting codes participated at the festival: Rugby, Netball, Darts, Cricket, Table Tennis</p> <p>Eden Drama Festival – November 2018</p> <p>Hessequa Schools Prestige athletics tournament 2018</p> <p>Child Protection Week (Melkhoutfontein, May- June 2018)</p> <p>A week full of Sporting as well as cultural activities for Child protection week, activities such as creative indigenous games, golden games, marathons as well as a full day of variety sports like rugby, pool, darts, soccer, golf, jukskei, baseball, netball and table tennis.</p> <p>A Hessequa Indigenous team consisting out of 35 sportsman and woman went to Knysna to take part of the District Indigenous games, three of our team members were taken up into the Eden District team to partake at the Provincial Indigenous games.</p>

Table 99.: Service statistics for Child Care, Aged Care and Social Programmes

Employees: Child Care, Aged Care, Social Programmes					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	1	3	3	0	0
10 - 12	0	1	0	1	100%
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	2	5	4	1	20%
<i>Employees and Post numbers as at 30 June.</i>					

Table 100.: Employees: Child Care, Aged Care and Social Programmes

3.7 COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes:

- Pollution control
- Biodiversity and landscape
- Coastal protection

3.7.1 INTRODUCTION TO ENVIRONMENT PROTECTION

Hessequa Municipality implemented the Hessequa Air Quality Management Plan during the 2017/18 financial year. The municipality also reviewed the Hessequa Climate Change Adaptation Plan during the 2017/18 financial year in order to keep the Hessequa Climate Change Strategy relevant and up to date. It should be noted that all above mentioned documents was adopted by Council and an Air Quality Management Officer as well as a Climate Change Management Officer was appointed as a direct result of the adoption of these plans. We are also in the process of addressing the dune management issue for our region. Implementation of the Witsand Dune Management Plan as well as the Lappiesbaai Dune Management Plan is continuing.

River control on our four estuaries took on the form of access control points and physical patrols on the estuaries itself in order to ensure compliance with environmental legislation and municipal bylaws. The inauguration of National Estuary Management Protocol in 2014 means that the Breede River (Estuary) now falls under the mandate of DEA&DP and the management authority for the Gouritz Estuary is Eden District Municipality (EDM).

The municipality has a range of nature reserves with an assortment of critically endangered biomes and three of the eight local municipal nature reserves are in the process of being registered under the Stewardship Program as rolled out by Cape Nature. DEA&DP awarded Hessequa Municipality as the Best Municipality within the Western Cape with regards to Leadership, during the annual Greenest Municipality Competition (GMC). Hessequa Municipality also came third in both the Provincial as well as National Greenest Municipality Competition. The Greenest Municipality Competition entails the submission of a questionnaire with associated evidence to proof that projects (as indicated in questionnaire) was done. The themes covered by the competition includes Biodiversity and Coastal Management, Climate Change, Leadership, Water and Waste. All municipalities within the Western Cape are invited to enter, excluding the districts and Metro. The municipality also registered three Eco-Schools, Vondeling Primary, De Waalville Primary and Kruisrivier Primary, during 2017/18.

3.7.1.1 *POLLUTION CONTROL*

The Hessequa Municipality has Air Quality By-laws which were adopted and approved by Council and which is currently being enforced by Eden District Municipality in conjunction with Hessequa. Hessequa Municipality also have a dedicated air quality officer (approved by Council) as well as an approved Air Quality



Management Plan, therefore completing the municipality's air quality infrastructure as required under the National Environmental Management: Air Quality Act, 2004 (Act 39 of 2004) (AQMA). In terms of section 15(2) of the Act each municipality must include in its Integrated Development Plan (IDP) contemplated in chapter 5 of the Municipal Systems Act, an air quality management plan (AQMP), this has also been done.

Other initiatives under air quality management was compliance inspections as part of an agreement between Hessequa Municipality and Eden District Municipality at various residential as well as industrial facilities. Different platforms have been developed for the reporting of environmental pollution, some of which are the various estuary management forums (x3), Protected Areas Advisory Forums (x3), Bi-monthly meetings with CapeNature, regular engagement with the provincial Department of Environmental Affairs & Development Planning as well as with the national Department of Environmental Affairs.

3.7.1.2. BIO-DIVERSITY AND LANDSCAPE

As previously mentioned the municipality are in the process of registering three of our eight nature reserves under the Cape Nature Stewardship Program and the rest will follow after conclusion of the registration of initial three. Thus, continuing our efforts to provide all settlements in the Hessequa area with access to at least one or more nature reserves in its vicinity.

Follow-up and alien clearance projects total approximately 500ha on municipal land including all municipal nature reserves. In addition to aliens cleared, erosion control projects were also rolled out in areas with hiking trails such as those in the municipal nature reserves. For 2017/18 the municipality again invested large amounts of resources into the expansion of the Tuin-op-die-Brak which was also completed and transferred to the municipality.

The municipality entered two environmental orientated competitions during 2017/18, one the Harbour City awards (National) and the Greenest Municipality Awards (Provincial).

The booklet which was distributed to the relevant municipal departments regarding the National Environmental Management Act: Listed Activities was also again revised to ensure its relevancy to new legislation. The rationale behind the booklet is to ensure that Building Control, Town Planning and the Technical Department can make informed decisions with regards to what activities is allow and which are not. The booklet has also been made available on the municipal website.

2017/18 also saw the continuous update of the municipality's #100000TreeCampaign which is mostly internet based to ensure that it stays fresh and relevant. The campaign strives to plant 100 000 indigenous trees within the municipal area, with the cooperation and assistance of the community. Community members are encouraged to register all the indigenous trees they plant and make it part of the tally.

The municipality actively participated in the development of Coastal Management Lines for our region, which includes the development setback line and coastal protection line as well as in the identification of current and historical coastal access points as per requirement of the integrated Coastal Management Act

of 2008. This exercise is coordinated by the Department of Environmental Affairs and Development Planning and at the end of 2017/18 is at its final public participation phase.

Also we have up and running Estuary Management Committees for all four estuaries which falls within our area of operation.

Two municipal officials successfully completed their Environmental Management Inspectorate (EMI) training and are awaiting designation from the Minister into the Green Scorpion family. The municipality also actively participation in compliance inspections along the coast with CapeNature and DEADP: Compliance (Green Scorpions) where illegal activities or structures were erected.

Employees: Environmental Services					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	0	0	0	0
4 - 6	0	6	5	1	16.6%
7 - 9	1	0	0	0	0
10 - 12	1	2	2	0	0
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	8	9	8	1	11.11%
<i>Employees and Post numbers as at 30 June.</i>					

Table 101.: Employees: Environmental Management

3.8 COMPONENT F: SECURITY AND SAFETY

3.8.1 INTRODUCTION TO SECURITY AND SAFETY

The department Protection Services consists of the following sections:

- Traffic law enforcement
- Traffic agency services
 - Motor registrations
 - Licensing
 - Roadworthiness
- Law enforcement (by-laws)

- Municipal Animal pound
- Technical services (road maintenance)
- Disaster management
- Fire Brigade Services (contracted service)

3.8.2 TRAFFIC SERVICES AND LAW ENFORCEMENT

A) *Highlights: Traffic Services and Law Enforcement*

Highlights	Description
1 st Prize for Traffic exhibition – Riversdale show grounds	Uniform disciplines showcase their gadgets and provide useful information to public
Traffic exhibition at showgrounds inter-departmental initiatives attended by Department of transport Directorate road safety	Joint initiatives promote road safety at a high standard as new techniques(Drunken buster goggles)are being displayed
Scholar patrol total of 6 schools currently registered at Department of transport	Scholar patrol at schools create safer environment for pupils and other road users
Training of Law Enforcement Officers to Traffic Wardens	We have volunteers that are volunteering in the Law Enforcement and also people from the EPWP, Wolwekloof project, that are under our supervision that was trained as Law Enforcement and Traffic Wardens. The number of officers is 7.
The Roadworthy Centre on two separate occasions received an average of above 90% audit report from the Provincial Department of Transport Driver's license testing centre achieve 96% audit report while Motor vehicle registration average of 98%	The Roadworthy-, Driver's license centre and motor vehicle registration section will get an unscheduled inspection from the Provincial or National Department of Transport, to see that the centre is in compliance with National and Provincial. If the centre is not compliant they, the National Department of Transport, can close the centre and that can lead to disruption on service delivery.

Table 102.: Traffic Services and Law Enforcement Highlights

B) *Challenges: Traffic Services and Law Enforcement*

Description	Actions to address
Unable to address all law offences and other municipal by-laws due to personnel constraints.	Appoint more law enforcement officers and funding for additional vehicles
Unable to serve all the towns within the Hessequa region due to personnel and vehicle shortages	Appoint traffic law enforcement officers and funding for additional vehicles

Table 103.: Traffic Services and Law Enforcement Challenges

C) *Service Statistics for Traffic Services and Law Enforcement*

No.	Details	2017/18
		Actual No.
1	Number of by-law infringements attended	319
2	Number of officers in the field on an average day	3
3	Number of officers on duty on an average day	5

Table 104.: Service Statistics: Law Enforcement

Additional Performance Information for Traffic Services and Law Enforcement		
Type of service	2016/17	2017/2018
Animals impounded	297	83
Motor vehicle licenses processed	11770	18664
Learner driver licenses processed	1950	1452
Driver licenses processed	3629	3460
Driver licenses issued	2452	3460
Fines issued for traffic offenses	137 244	4 789(Municipal), 3 118 (Provincial), 97 977 (Cameras)
R-value of fines collected	14 461 477	9 280 000
Operational call-outs	51	49
Roadblocks held /Special Operations	22 / 42	66
Complaints attended to by Traffic Officers	127	115
Special Functions–Escorts	67	83
Awareness initiatives on public safety	<p>School project = Daantjie kat 13 information sessions.</p> <p>Schools are visited to inform scholars on traffic safety</p> <p>Painting of Junior traffic training centre. Also training of the toddlers on using the junior traffic training centre.</p> <p>Show grounds traffic exhibition =1</p> <p>Show grounds traffic exhibition =1</p> <p>The show ground has an annual exhibition in Riversdale and we have been part of the exhibition for a number of years. This year the exhibition was awarded the won the first price for the most informative exhibition.</p> <p>Launch a special learners license project at two local school reaching 100 pupils. Also training of unemployed and youth within municipal area for learner's license</p> <p>December welcoming =1</p> <p>Smoke emission tests =1</p> <p>Scholar patrols visits and refresher training of pupils = 12</p>	<p>School project = Daantjie kat 11 information sessions.</p> <p>Schools are visited to inform scholars on traffic safety</p> <p>Painting of Junior traffic training centre. Also training of the toddlers on using the junior traffic training centre.</p> <p>Show grounds traffic exhibition =1</p> <p>Show grounds traffic exhibition =1</p> <p>The show ground has an annual exhibition in Riversdale and we have been part of the exhibition for a number of years.</p> <p>December welcoming =1</p> <p>Newly established scholar Patrol Slangrivier</p> <p>Scholar patrols visits and refresher training of pupils = 12</p>

Table 105.: Additional performance information for Traffic Services and Law Enforcement

Employees: Traffic Services, Law Enforcement, Fire Services and Disaster Management					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0
4 - 6	12	22	12	10	45%
7 - 9	9	25	8	17	68%
10 - 12	9	24	9	15	62.5%
13 - 15	2	5	3	2	40%
16 - 18	1	1	1	0	0
19 - 20	0	0	0	0	0
Total	35	79	35	44	55%
<i>Employees and Post numbers as at 30 June.</i>					

Table 106.: Employees: Traffic Services, Law Enforcement, Fire Services and Disaster Management

3.8.3 FIRE SERVICES

The fire brigade services for the 2017/18 financial year was done by a contracted service through Rural Metro. The contract states that they must deliver a service to structural fires, road traffic accidents and commonage fires. The main station is situated in Riversdale which consists of 4 shifts with a 24 our service. Stilbaai, Heidelberg and Albertinia has substations and work 16 hours out of the 24. The personnel are directly supervised by the Hessequa municipality only for operational purposes. There is one medium fire engine that was sponsored by Western Cape Government and 4 "bakkie sakke" units that belongs to Hessequa municipality. Human resources are mainly supervised by Rural Metro and the operational part by Hessequa municipality.

Hessequa Municipality also bought a 4x4 light delivery vehicle for firefighting.

Hessequa Municipality have also procured capital items for fire services and did appoint two (2) Junior Fire Fighters in the 2016/17 financial year and appoint another 2 in 2017/2018 financial year. Money was donated for a Fire Fighting vehicle by the Western Cape Provincial Government, Department Fire and Disaster Management, and has been delivered.

SERVICE STATISTICS FIRE BRIGADE					
	Veld fires	Structure fires	Motor Vehicle Accidents	Other	Total



July 2017	7	1	1	1	10
Aug 2017	2	3	2	0	7
Sep 2017	6	0	7	1	14
Oct 2017	5	3	2	1	11
Nov 2017	4	1	7	0	12
Dec 2017	4	1	6	0	11
Jan 2018	4	1	7	3	15
Feb 2018	8	0	3	2	13
Mar 2018	3	4	5	0	12
Apr 2018	15	2	4	0	21
May 2018	6	1	4	2	13
Jun 2018	1	2	2	0	5
TOTAL	65	19	50	10	

Table 107.: SERVICE STATISTICS FIRE BRIGADE

3.8.4 DISASTER MANAGEMENT

During the period of July 2017 to June 2018 there were NO major disaster incident in the Hessequa Municipal area. Various playgroups, crèches, schools, old age homes, and businesses were visited to promote the awareness of disasters with special emphasis being placed on veldt fires as these are common in our region. Educational institutions that were visited, include Lekker Laggies, Kleine Pikkewyne, Pikkewouters, Groenie die Drakie, Hansie & Grietjie, Bollie Konyyn, Melkhoutfontein Primary school, Bertie Barnard Primary School, Heidelberg High, Langenhoven High, Oakdale and Volschenk.

3.9 COMPONENT G: SPORT AND RECREATION

3.9.1 SPORT AND RECREATION

A) Introduction

The extent of the existing infrastructure for parks and resorts are summarised in the following table:

Asset	Unit	Number
Parks	Play parks	34
Sports Grounds	Community sport grounds	7
Camp Sites	Resorts for public	6
Swimming Pools	Community pools	3
Sport Halls	Sport Halls	5

Table 108.: Summary of existing assets: Sport and Recreation

B) Highlights: Sport and Recreation

Highlights	Description
<ul style="list-style-type: none"> Major capital upgrades of ablution facilities at Preekstoel Caravan Park 	New tiles, showers, basins, toilets, mirrors, and taps was installed in the ablutions which was welcomed by the visitors to the Caravan Park.
<ul style="list-style-type: none"> The income generated from the caravan parks has increased compared to the previous financial year at a rate above the increase in tariffs which is an indication that the occupation percentage increased. 	<ul style="list-style-type: none"> More Visitors has visited the Caravan Parks during the 2017/2018 financial year than the previous year.
<ul style="list-style-type: none"> Maintenance of Infrastructure at camps and sporting facilities and general maintenance. 	<ul style="list-style-type: none"> The periodic inspections and maintenance of infrastructure and other recreational facilities ensures that the condition of the infrastructure is good and in working order.
<ul style="list-style-type: none"> The tariffs charged for the use of our sport facilities are affordable. Maintenance and extension of facilities. 	<ul style="list-style-type: none"> A comparison was made between the tariffs charged for sporting facilities at various Municipalities and Hessequa Municipalities tariffs was at the lower end of the list.
<ul style="list-style-type: none"> The quality of the play parks and facilities monthly report to council improved a lot. 	<ul style="list-style-type: none"> Photos were attached to every monthly report regarding vandalism, equipment upgrading and illegal dumping.
<ul style="list-style-type: none"> Hessequa have 6 recognised beaches in the region. All 6 beaches are part of the Blue flag programme. (3 Full status and 3 Pilot status beaches) During the 2017/18 blue flag season – all the beaches were inspected by WESSA. 2 of the 3 Full status beaches received 5-star grading and one received 4-star grading. 	<ul style="list-style-type: none"> The use of contractors to manage the cleaning and security of resorts and blue flag beaches during peak season was implemented and cost effective. Hessequa Municipality is the first Municipality in South Africa that have all its beaches on the Blue flag program
<ul style="list-style-type: none"> Hessequa Municipality received third place for both the Western Cape Provincial Greenest Municipality Competition as well as for the National Greenest Municipality Competition for the 2017/18 Financial Year. 	<ul style="list-style-type: none"> Hessequa Municipality submitted the Application for the Greenest Municipality Competition and Harbour City Award.

Table 109.: Sport and Recreation Highlights

C) Challenges: Sport and Recreation

Actions to address	Description
Increasing education of the community and to keep people aware of blue flag international standards. Education included different environmental topics.	<p>Budget and upgrading. In the 2017/18 financial year 18 Tourism Beach Stewards were still employed at the blue flag beaches to do environmental education and clean-up projects. WESSA are responsible for the training and salaries of the staff. (Hessequa completed the application for this project and succeeded to employ poor residents.)</p> <p>Communication – at 3 blue flag beaches have ceremonies at the beaches before the blue flag seasons started. The public and media took part of the ceremonies.</p>
Approving of all 6 beaches by WESSA as blue flag beaches for 2017/18 season.	During the 2017/18 season Lappiesbaai received 12 years ongoing blue flag status and Witsand received 7 years ongoing blue flag status. (Both Full Status Blue flag) 2 Full status beaches received 5-star grading and one beach received 4-star grading during inspections by WESSA..
A marketing strategy will be implemented to improve the marketing of the camps to increase the occupancy levels.	Although the occupancy levels of the camps increased in the 2017/2018 financial year compared to the previous financial year, the occupancy levels need to increase further in order to operate the camps at a profit.
To identify events and organize events that improve tourist numbers to our region and camps for example bike events and festivals.	As part of the marketing strategy the Municipality must engage with local tourism organisations to establish events in order to attract visitors to our coastal town. The occupation is seasonal and the challenge is to increase the occupancy levels during the winter and spring months.
To improve our customer care / services at the camps and facilities in Hessequa. Improve skills of workers.	<p>It is important to deliver a professional service to clients and to make them feel welcome and important to ensure overall client satisfaction. Training was provided to our housekeepers by the Western Cape Resorts Association which will improve the overall standard of cleaning.</p> <p>Given the fact that our Municipality has two caravan parks in Stilbaai with over 750 stands and 38 chalets and more than 10 ablutions that must be cleaned and maintained it is important that the resources are used in an effective and efficient way and training is important to equip personnel with the knowledge and skills.</p>
Electronic booking systems to all resorts.	We are in the process to install an electronic booking system. This will reduce the administration of handling camp bookings drastically and will increase effectiveness and efficiency.

Table 110.: Challenges: Sport and Recreation

D) Service Statistic for Sport and Recreation

Type of service	2016/17	2017/18
Community parks		
Number of parks with play park equipment	34	34
Number of wards with community parks	9	9
Swimming pools		
Number of visitors per annum	16203	16 450
R-value collected from entrance fees	R 82 216	R 108 824
Camp sites/Resorts		
Number of visitors per annum	42 000	44 000
R-value collected from visitation and/or accommodation fees	R 11 126 376	R12 315 918.06
Sport fields		
Number of wards with sport fields	7	7
Number of sport associations utilizing sport fields	12	18
R-value collected from utilization of sport fields	R 20 938.88	R 29 707.28
Sport halls		
Number of wards with sport halls	5	5
Number of sport associations utilizing sport halls	25	25
R-value collected from rental of sport halls (community halls)	R 316 717.92	R 324 049.85

Table 111.: Additional performance information for Sport and Recreation

Employees: Parks and Recreation					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	55	56	54	2	3.5%
4 - 6	37	45	41	4	8.8%

Employees: Parks and Recreation					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
7 - 9	8	9	8	1	11.11%
10 - 12	2	4	3	1	25%
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	103	115	107	8	6.95%
<i>Employees and Posts numbers are as at 30 June</i>					

Table 112.: Employees: Parks and Recreation

3.10 COMPONENT H: SERVICE DELIVERY PRIORITIES FOR 2017/18

The main development and service delivery priorities for 2017/18 form part of the Municipality's top layer SDBIP for 2017/18 and are indicated in the table below. Please note that the information summarises all information in the approved SDBIP according to IDP objective. This provides an overview of the link between the IDP and implementation of projects to achieve IDP goals.

3.10.1 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL1	90% Expenditure of the Approved Capital Budget for the Municipality by end of June 2018	% of Budget spent	All	90%
TL2	90% Expenditure of the Approved Operational Budget for the Municipality by end of June 2018	% of budget spent	All	90%
TL3	Feedback Report submitted quarterly to Executive Mayor on all formal issues raised with the Municipal Manager by the EMC	Feedback report submitted quarterly	All	3

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL9	Development of an Integrated IDP Process Plan submitted to PC by August 2017	Number of submitted Process plan	All	1
TL10	Submission of Final IDP submitted to Council by May 2018	Final IDP submitted to Council by May 2018	All	1
TL11	Review of the Municipal Risk Register and submitted to the Risk Committee by May 2018	Risk register reviewed and submitted to Risk Committee	All	1
TL12	GIS Implementation Plan for all Departments compiled and submitted to Portfolio Committee by Nov 2017	Implementation Plan Submitted to Portfolio Committee	All	1
TL14	The % of people from employment equity target groups employed in the three highest levels of management in compliance with the Municipalities Annual Employment Equity report	% employed of target groups according to Annual Department of Labour Employment Equity report	All	66%
TL15	Maintain an average vacancy rate of less than 10% budgeted staff establishment.	Average % Vacancy rate of less than 10% reported quarterly to Portfolio committee	All	10%
TL16	Submission of Succession Planning Strategy for Hessequa Municipality compiled and submitted to Portfolio Committee by Feb 2018	Strategy submitted to Portfolio committee	All	1
TL18	Completion of Municipal Property Audit and submitted to PC by March 2018.	number of audits submitted	All	1
TL19	Revision of Delegation Register and submitted to PC by May 2018	Reviewed municipal Delegation Register submitted to Portfolio committee	All	1
TL20	Revision of Municipal code and submitted to PC	Reviewed municipal code submitted to Portfolio Committee	All	1
TL21	Review of Client Service Standards by May 2018 and submitted to PC	Reviewed Client Services standards submitted	All	1
TL24	Completed ICT Systems assessment report May 2018	Number of reports submitted to Pc	All	1

Table 113.: Service Delivery Priority for 2017/18: Good Governance and Public Participation



3.10.2 SOCIAL AND ECONOMIC DEVELOPMENT

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL13	Facilitate a Rural Development Workshop with Council by May 2018	Number of workshops facilitated	All	1
TL22	Hold Library exhibitions annually in Hessequa	Number of exhibitions per year	All	624
TL23	95% Spending of Municipal Replacement fund (Grant) and Community Library Services Grant by end of June 2018	Percentage of Grants spent	All	95%
TL31	Quarterly report on Development Trends to PC	Number of reports submitted to Pc	All	3
TL32	Evaluate land use applications within 120 days by the Planning Tribunal, after receipt of all relevant information and documents in terms of SPLUMA	% applications evaluated within 120 days	All	90%
TL33	Evaluate land use applications within 60 days by the delegated official, after receipt of all relevant information and documents in terms of SPLUMA	% applications evaluated within 30days	All	90%
TL34	Approve/reject building plans within 30 days for buildings less than 500m2 and 60 days for buildings larger than 500m2 after all information required is correctly submitted	% of plans evaluated	All	90%
TL35	Finalise occupancy certification within 14 days after receipt of all applicable information	% of certification completed within 14 days	All	95%
TL37	Submit a quarterly report indicating progress in terms of Economic Development programmes to PC	number of reports submitted	All	3
TL38	Submit a quarterly report indicating progress in terms of tourism programmes to PC	Number of reports submitted	All	3
TL39	Submit a progress on the Slangrivier Transformation Process to every quarter to the Portfolio Committee	Number or reports	4	4
TL40	LED Strategy Review submitted to PC by April 2018	number of reviews	All	1

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL41	Investment Facilitation standard operating procedure by end of June 2018	Number of SOP	All	1
TL44	Scheduled outreach programmes for all towns in Hessequa to update housing waiting lists	Number of outreaches	All	6
TL45	Implementation of 12 Social development initiatives in Hessequa for 2017/2018	Number of initiatives conducted	All	12
TL46	Implementation of 10 Sport Development Initiatives in Hessequa for 2017/2018	Number of initiatives conducted	All	10
TL47	Implement 6 Thusong Outreach Programmes for 2017/2018	Number of mobile outreach initiatives	All	6
TL48	Receive a performance of not less than 80% for the formal Provincial Audits on the licensing Agency Services	Average % achieved	All	80%
TL49	Conduct 12 integrated vehicle checkpoints for 2017/2018	Number of checkpoints conducted for the period	All	12
TL50	Establishment of Fire Fighting Service by the procurement of Equipment by 90% of the capital budget spent for 2017/2018	% of budgeted spend on Equipment for Fire Fighting Services	All	90%
TL51	Compile a Public Safety Policy for Hessequa Municipality and submit to PC by June 2018	Number of policies submitted to PC	All	1
TL58	Number of FTE's (full time employment) created through EPWP for 2017/2018	Number of FTE's created	All	65

Table 114.: Service Delivery Priority for 2017/18: Social and Economic Development

3.10.3 Environmental Management

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL36	Review of the Climate Change Adaptation plan submitted to PC by June 2018	Reviewed plan submitted	All	1
TL56	Annual Blue Flag Applications submitted by June 2018 to WESSA	Number of applications submitted by June 2017	1; 3; 4	6
TL57	Submission of Quarterly Solid Waste Management Report to Portfolio Committee.	Quarterly report submitted	All	2

*Table 115.: Service Delivery Priority for 2017/18: Environmental Management***3.10.4 FINANCIAL MANAGEMENT**

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL25	Submit a report on Borrowing Funds and Reserves to the Financial Portfolio committee by Feb 2018	Number of borrowing and reserve funds reports submitted to Portfolio committee	All	1
TL26	Submit a liquidity report of the Municipality to the Finance Portfolio Committee by end Feb 2018	Number of reports submitted to Portfolio Committee	All	1
TL27	Unqualified Financial Audit as reported by Auditor General	Number of Unqualified Financial Audit result	All	1
TL28	Management of Income annual payment rate of thresholds higher than 95% for financial year	% Income thresholds higher than 95% maintained for financial year	All	95%
TL29	Submit a detailed report on the status of handed over accounts to PC by June 2018	number of reports submitted	All	1
TL30	95% Spending of Municipal Financial Management Grant by end of June 2018	Percentage of Grant spent	All	95%

Table 116.: Service Delivery Priority for 2017/18: Financial Management

3.10.5 COST EFFECTIVE SERVICE DELIVERY

Ref	KPI	Unit of Measurement	Wards	Annual Target
TL4	% Provision of electricity to residential properties connected to the municipal infrastructure network for both prepaid and credit electrical metering	Percentage of formal residential properties connected to the municipal electrical infrastructure network	All	100%
TL5	% Provision of water to residential properties connected to the municipal infrastructure network for both prepaid and credit metering	Percentage of formal residential properties connected to the municipal water network	All	100%
TL6	% Provision of refuse removal and solid waste disposal for residential account holders	Percentage of residential properties billed for refuse removal	All	100%
TL7	% Provision of sanitation/sewerage services to residential account holders	Percentage of residential properties billed for sanitation/sewerage services	All	100%
TL8	The % of registered indigent account holders (poor households) with access to free basic services	Number of registered indigent households with access to free basic services	All	90%
TL17	90% Expenditure of Approved budget for maintenance of Municipal camps sites by end of Financial year	% budget spent	All	90%
TL42	Review the housing Pipeline in Collaboration with the Department of Human Settlements by March 2018 and submit reviewed pipeline to PC	Housing pipeline reviewed and submitted to Portfolio Committee	All	1
TL43	Completion of 100 Top Structures for the Melkhoutfontein North Housing project by June 2018	Number of top structures completed	1	100
TL52	90% Expenditure of the approved Capital Budget of the Technical Department for 2017/2018	% capital budget spent	All	90%
TL53	90% Expenditure of the approved Operational Budget of the Technical Department for 2017/2018	% of expenditure budget spent	All	90%
TL54	Limit electricity losses to 10% for financial year 2017/2018	% unaccounted electricity	All	10%
TL55	95% Expenditure of National Electrification Grant spent for 2017/2018	95% of Electrification Grant spent	All	95%
TL59	95% Expenditure of Municipal Infrastructure Grant (MIG)	% of Grant spent	All	95%
TL60	Limit water losses to less than 30% for 2017/2018	% of water losses	All	30%

Table 117.: Service Delivery Priority for 2017/18: Cost Effective Service Delivery

Chapter 4:

Organisational Development

Performance

CHAPTER 4

To better understand the organisational structure and service delivery relating to the structure of the municipal staff, it is important to understand the historical and geographical context of Hessequa Municipality. Hessequa consists of ten (10) service centres, each with its unique service delivery infrastructure. This is closely linked to the geographical layout of Hessequa, but the historical context created the current reality as to how services are rendered in Hessequa.

In 2000 the following municipalities were amalgamated into the Langeberg Municipality, that is now known as Hessequa Municipality:

- Riversdale Municipality
- Heidelberg Municipality
- Albertinia Municipality
- Stilbaai Municipality
- Gouritsmond Municipality
- Slangrivier Municipality

This resulted in a geographical area of more than 5200 km² with duplication of almost all services in all related towns. Various towns had various levels of service infrastructure and can this still be seen today. Additional service points have been created as time has passed which included communities like Melkhoutfontein, Jongensfontein, Garcia and Witsand. The amalgamation resulted in various restructuring processes as a central management approach was implemented.

4.1 National Key Performance Indicators – Municipal Transformation and Organisational Development

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the Municipal Systems Act of 2000. These key performance indicators are linked to the *Municipal Transformation and Organisational Development* National Performance Area:

Municipal Transformation and Organisational Development.

KPA & Indicators	Municipal Achievement	
	2016/17	2017/18
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	17	13
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	0.4% based on personnel budget	0.38% based on personnel budget

Table 118.: National KPIs- Municipal Transformation and Organisational Development



4.2 Introduction to the Municipal Workforce

The Hessequa Municipality currently employs 551 (including fixed term contract employees) officials, who individually and collectively contribute to the achievement of Municipality's objectives.

4.2.1 Employment Equity

The Employment Equity Act (1998) Chapter 3, Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan".

A) Employment Equity targets/actual

African		Coloured		Indian		White	
Target June	Actual June	Target June	Actual June	Target June	Actual June	Target June	Actual June
1	1	1	1	0	0	0	1

Table 119.: 2017/18 EE targets/Actual by racial classification (* Top 3 Occupational levels)

Male		Female		Employees with Disability	
Target June	Actual June	Target June	Actual June	Target June	Actual June
1	2	1	0	0	0

Table 120.: 2017/18 EE targets/actual by gender classification (* Top 3 Occupational levels)

B) No of Employees per Race vs. Hessequa Population*

Description	African	Coloured	Indian	White	Total
* % Economically Active Population (Western Cape)	36%	48.7%	0.5%	14.8%	100%
Number for positions filled	40	435	0	76	551
% for Positions filled	7.3%	78.9%	0	13.8%	100%

Table 121.: No of employee vs Western Cape Economically Active Population 2017/18

* 2017 Provincial Statistics provided by Department of Labour.

C) Occupational Levels – Race and Gender

Below is a table that indicates the number of employees by race and gender within the specific occupational categories codes as required by the Local Government Sector Educational and Training Authority (LGSETA): (excluding councillors):

Posts filled									
Occupational	Male				Female				Total
Categories	A	C	I	W	A	C	I	W	
Managers	0	11	0	13	0	3	0	4	31
Professionals	1	15	0	2	2	7	0	9	36
Technicians and Associate Professionals	4 1	15	0	7	4	32	0	3	62
Clerical Support Workers	0	7	0	2	1	30	0	10	50
Service and Sales Workers	1	25	0	2	0	8	0	0	36
Skilled Agricultural, Forestry, Fishery, Craft and related trades workers	0	19	0	8	0	0	0	0	27
Plant and machine operators and assemblers	3	32	0	1	0	0	0	0	36
Elementary Occupations	20	175	0	6	5	41	0	0	247
Total permanent	29	316	0	37	9	104	0	30	525
Fixed-term Contracts	1	1	0	2	1	14	0	7	26
Grand total	30	317	0	39	10	118	0	37	551

Table 122.: Occupational Categories by Race and Gender

D) Occupational Levels by Race and Gender

The table below categorizes the number of employees by race and gender within the occupational levels as required by the Department of Labour for employment equity reporting on an annual basis. (excluding councillors):

Occupational	Male				Female				Total
Levels	A	C	I	W	A	C	I	W	
Top Management	0	1	0	2	0	0	0	2	4
Senior Management	0	11	0	10	0	3	0	2	26
4Mid- Management/Professional.	1	15	0	9	2	2	0	7	36
Skilled Tech/Junior Man.	1	38	0	7	2	45	0	7	74
Semi-Skilled	10	120	0	7	2	45	0	7	190
Unskilled	17	131	0	4	5	38	0	0	195
Total permanent	29	316	0	37	9	104	0	30	525

Occupational	Male				Female				Total
Levels	A	C	I	W	A	C	I	W	
Fixed-term Contracts	1	1	0	2	1	14	0	7	26
Grand Total	30	317	0	39	10	118	0	37	551

Table 123.: Occupational Levels - Race

4.2.2 Vacancy Rate

The number of posts that are budgeted for in the financial year is dependent on municipal revenue and associated fiscal demands and are funded at the commencement of the financial year. The number of posts that were vacant and budgeted for, as well as the actual positions filled are indicated in the tables below by post and functional level. 18 funded posts were vacant at the end of the financial year representing a vacancy rate of 3.1%. On average the vacancy rate for the financial year was 3.3%. A vacancy rate above 10% is regarded as a risk.

Below is a table that indicates the number of filled posts as well as budgeted vacant posts within each Directorate in the municipality:

Per Functional Level		
Functional area	Filled	Vacant and Funded
Office of the Municipal Manager	12	0
Corporate Management	96	5
Technical Services	313	10
Community Services	45	2
Financial Services	66	1
Development Planning	19	0
Total	551	18

Table 124.: Filled and funded vacant posts

The table below indicates the critical vacancies per staff level expressed as total positions and current funded vacancies.

Salary Level	Number of current critical vacancies	Total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	0	1	n/a	0%
Chief Financial Officer	0	1	n/a	0%
Other Section 57 Managers	0	4	n/a	0%
Senior Management	0	24		0%
Professional/Highly Skilled	1	43	Head: Thusong centre	2.33%
Total	1	73		1.37%

Table 125.: Critical vacancy



4.2.3 Turnover Rate

A high staff turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. The turnover rate is determined by the following formula:

$$\left(\frac{\text{Number of employees who left during the year}}{(\text{Number of employees at the beginning of the year} + \text{Number of employees at the end of the year})/2} \right) \times 100$$

The turnover rate for 2017/18 remains at 6.6%.

Financial year	New appointments	Number of Terminations during the year	Turn-over Rate	
2015/16	47	53	9.7%	$\left[\frac{53}{(555 + 534)/2} \right] \times 100 = 9.7\%$
2016/17	38	36	6.6%	$\left[\frac{36}{(536 + 544)/2} \right] \times 100 = 6.6\%$
2017/18	40	36	6.6%	$\left[\frac{36}{(546 + 551)/2} \right] \times 100 = 6.6\%$

Table 126.: Turnover Rate

4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analysing and coordinating employee behaviour.

4.3.1 Injuries

An occupational injury is a personal injury, disease or death resulting from an occupational accident at the workplace. The health and safety of employees is of paramount importance. The injury on duty cases increased from 61 to 70. No serious injuries were reported. Health and Safety representatives are appointed in each workplace and are trained. Monthly reports are completed by the Safety Committee structures and progress is reported via a quarterly chairpersons' meeting and the Health and Safety Officer to the respective Managers to complete a feedback loop for reporting, acting upon and correcting unsafe work areas.

The following table indicates the total number of injuries on duty reported within the different departments:

Directorates	2016/17	2017/18
Office of the Municipal Manager	0	0
Corporate Management	1	3
Technical Services	58	60
Community Services	1	2
Financial Services	1	1
Development Planning	0	4
Total	61	70

Table 127.: Injuries

4.3.2 Sick Leave

Sick leave days taken by employees has a negative influence on service delivery and has cost implications for Council. The monitoring of sick leave identifies certain patterns or trends within directorates. The management of sick leave are executed in conjunction with the various directorates. The total number of workdays lost due to sick leave during the 2017/18 financial year shows an increase of 328 days compared to the previous financial year. On average 353 working days are lost per month. On Average 7.7 days working days are lost due to sick leave per employee per year.

The table below indicates the total number sick leave days taken within the different directorates:

Directorates	2016/17	2017/18
Office of the Municipal Manager	17	12
Corporate Management	792	631
Technical Services	2 421	2 748
Community Services	205	326
Financial Services	366	424
Development Planning	108	96
Total	3 911	4 239

Table 128.: Sick Leave

4.3.3 Employee Performance Rewards

In accordance with regulation 32, a performance bonus, provided it is affordable, may be paid to an employee, after -

- (1) the annual report for the financial year under review has been tabled and adopted by the municipal Council;
- (2) an evaluation of performance in accordance with the provisions of regulation 23; and
- (3) approval of such evaluation by the municipal Council as a reward for outstanding performance.

The evaluation of the performance of Section 57 managers forms the basis for rewarding outstanding performance.

The table below shows the total number of S57 managers that received performance rewards:

Race	Gender	Number of beneficiaries	Total number of employees received performance rewards	% Employees received performance rewards
African	Male	1	1	100
Coloured	Male	1	1	100
White	Female	2	2	100
	Male	2	2	100
Total		6	6	100

Table 129.: Performance Rewards

4.4 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose, the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999). The financial year of the LGSETA runs from 1 May to 30 April. The training interventions and expenditure reported hereunder is for the LGSETA Workplace Skills Plan period. These periods do not align with the Municipal financial year ends.

4.4.1 Skill Development – Training Provided

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1) (f) states that as Head of Administration the Municipal Manager is responsible for the management, utilization and training of staff.

The table below shows the training interventions per occupational categories for the WSP Period 1 May 2017 to 30 April 2018.

Occupational categories	Gender	Training provided within the reporting period (2017/2018)					
		Learnerships		Skills programmes & other short courses		Total	
		Actual	Target	Actual	Target	Actual	Target
Managers	Female	0	0	5	0	5	0
	Male	0	0	32	4	32	4
Professionals	Female	0	0	5	0	5	0
	Male	2	0	14	6	16	6
Technicians and Associate Professionals	Female	0	0	4	5	4	5
	Male	17	0	26	20	43	20
Clerical Support Workers	Female	0	0	2	0	2	0
	Male	0	0	0	1	0	1
Service and Sales Workers	Female	0	0	1	1	1	1
	Male	1	0	6	7	7	7
Skilled Agricultural Forestry, Fishery, Craft and related trades workers	Female	0	0	0	0	0	0
	Male	3	0	16	28	19	28
Plant and Machine Operators and Assemblers	Female	0	0	0	0	0	0
	Male	3	0	7	32	10	32
Elementary Occupations	Female	1	0	4	7	5	7
	Male	20	0	47	92	67	92
<i>Sub total</i>	<i>Female</i>	1	0	21	13	22	13
	<i>Male</i>	46	0	148	190	194	190
Total		47	0	169	203	216	203

Table 130.: Skills Development

4.4.2 Skill Development – Budget Allocation

The table below indicates that a total amount of R 779 400 was allocated to the workplace skills plan and that 70.9% of the total amount was spent from 1 May 2016 to 30 April 2017.

	Total personnel budget	Total Allocated	Total Spent	% Spent
	R	R	R	
2017/18	R 167 446304	R 754 000	R 630 222	83.6%

Table 131.: Budget Allocated and Spent for Skills Development

4.4.3 MFMA Competencies

- Minimum Competency Levels for Accounting Officers – Municipal Manager complete
- Minimum Competency Levels for Chief Financial Officers – CFO completed Twenty-Four (24) unit standards
- Minimum Competency Levels for Senior Managers / Section 57 Appointees – Four (4) Officials completed the required unit standards.
- Minimum Competency Levels for Financial Officials at Middle Management level – 4 Complete.

- Minimum Competency Levels for Heads of Supply Chain Management Units – Two (2) positions at this level: One (1) position was filled on 31 October 2017. one (1) official completed the required two (2) unit standards but is currently awaiting results.
- Minimum Competency Levels for Supply Chain Management Managers – One (1) Manager completed Twenty-Four (24) unit standards.

4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the Municipal Systems Act (MSA) states that the accounting officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with National Treasury Budget and Reporting Regulations SA22 and SA23 and Cost Cutting measures in Circular 82 of 2016.

4.5.1 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years and that the municipality is within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2016/17	134 275	348 118	38,57%
2017/18	158 489	404 573	39,17%

Table 132.: Personnel Expenditure

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2016/17	2017/18	
Description	Actual	Approved Budget	Actual
	R'000	R'000	R'000
Councillors			
Basic Salary	4 285	4 786	4 887
UIF, Medical and Pension Fund	529	655	637
Vehicle	1 251	1 345	1 153
Cellphone	419	482	524
Housing			
Performance			
Other			
Benefits			
Sub Total	6 484	7 269	7 202
% increase/(decrease)			10%
Senior Managers of the Municipality			
Salary	3 849	5 057	4 811
UIF, Medical Aid– and Pension Contributions	828	1 164	914
Motor Vehicle Allowance	399	437	499
Cell phone Allowance	38	53	35
Housing allowance			
Performance Bonus	671	923	792
Other Benefits or Allowances	62	286	115
Benefits	0	0	0
Sub Total	5 847	7 920	7 165
% increase/(decrease)			18%
Other Municipal Staff			
Basic Salaries and Wages	86 471	98 652	94 184
UIF, Medical Aid– and Pension Contributions	18 824	21 875	20 733
Motor Vehicle Allowance	4 183	4 261	4 137
Cell phone Allowance	327	325	314
Housing Allowance	1 142	1 216	1 159
Overtime	3 973	3 989	4 952
Other benefits or allowances	4 028	5 572	4 969
Post-retirement	8 583	10 607	13 673
Sub Total	127 531	146 498	144 122
% increase/ (decrease)			12%
Total Municipality	139 862	161 687	158 489
% increase/ (decrease)			12%

Table 133.: Personnel Expenditure



Chapter 5:

Financial Performance

CHAPTER 5

This chapter provides details regarding the financial performance of the municipality for the 2017/18 financial year.

A Statement of Comparison

HESSEQUA LOCAL MUNICIPALITY						
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2018						
Statement of Financial Performance						
Figures in Rand						
Revenue	Approved budget - (Febr 2018)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions						Note 55
Property Rates	76 330 839	-	76 330 839	78 148 577	1 817 738	Rev 1
Fines	41 333 974	(125 500)	41 208 474	38 417 424	(2 791 050)	Rev 6
Licences and permits	1 396 986	-	1 396 986	1 420 287	23 301	
Income from agency services	1 950 411	-	1 950 411	2 218 473	268 062	Rev 7
Donated Property, Plant and Equipment	8 200	125 500	133 700	141 699	7 999	
Transfers Recognised - Operational	71 282 018	20 000	71 302 018	60 345 573	(10 956 445)	Rev 8
Transfers Recognised - Capital	45 705 362	-	45 705 362	32 885 020	(12 820 342)	Rev 9
Revenue from exchange transactions						
Service Charges	197 276 277	-	197 276 277	201 488 590	4 212 313	Rev 2
Rental of facilities and equipment	1 821 048	-	1 821 048	2 607 264	786 216	Rev 3
Interest earned - external investments	4 828 000	-	4 828 000	17 958 842	13 130 842	Rev 4
Interest earned - outstanding receivables	1 392 917	-	1 392 917	1 950 423	557 506	Rev 5
Other Revenue	14 985 413	-	14 985 413	18 898 200	3 912 787	Rev 10
Gains/(Loss) on Sale of Fixed Assets	2 500 000	-	2 500 000	555 125	(1 944 875)	Rev 11
Total Revenue	460 811 445	20 000	460 831 445	457 035 497	(3 795 948)	
Expenditure						
Employee related costs	153 303 267	-	153 303 267	151 287 185	(2 016 082)	Exp 1
Remuneration of Councillors	7 269 038	-	7 269 038	7 202 030	(67 008)	
Bad debts	35 484 740	-	35 484 740	34 345 891	(1 138 849)	Exp 2
Depreciation and Asset Impairment	35 734 618	-	35 734 618	30 044 169	(5 690 449)	Exp 3
Repairs and maintenance	-	-	-	-	-	
Inventory Consumed	17 208 360	6 350 320	23 558 680	20 243 203	(3 315 477)	Exp 7
Finance Charges	19 007 575	-	19 007 575	18 822 055	(185 520)	Exp 4
Bulk purchases	94 369 323	(7 000 000)	87 369 323	89 362 014	1 992 691	Exp 5
Transfers and Subsidies	1 062 680	44 000	1 106 680	1 054 802	(51 878)	
Contracted services	45 870 690	650 637	46 521 327	32 192 657	(14 328 670)	Exp 6
General expenses	26 631 577	(24 957)	26 606 620	20 018 955	(6 587 665)	Exp 8
Total Expenditure	435 941 868	20 000	435 961 868	404 572 962	(31 388 906)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	24 869 577	-	24 869 577	52 462 535	27 592 958	



CHAPTER 5 – FINANCIAL PERFORMANCE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2018						
Statement of Financial Position	Approved budget - (April 2018)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
ASSETS						Note 55
Current Assets	172 472 116	28 386 472	200 858 588	276 030 423	75 171 835	
Inventory	3 135 239	0	3 135 239	2 810 521	-324 718	
Trade receivables from exchange transactions	26 813 499	329 822	27 143 321	23 983 095	-3 160 226	Fp1
Trade receivables from non-exchange transactions	20 790 389	0	20 790 389	27 231 760	6 441 371	Fp2
VAT Receivable	0	0	0	1 689 073	1 689 073	
Bank, Cash and Cash Equivalents	121 729 988	28 056 650	149 786 638	219 860 299	70 073 661	Fp3
Operating Lease Assets	0	0	0	452 826	452 826	
Current Portion of Long-term Receivables	3 001	0	3 001	2 849	-152	
Non-Current Assets	866 722 055	23 912 665	890 634 720	854 072 761	-36 561 959	
Property, Plant and Equipment	815 012 000	-4 268 310	810 743 690	774 214 444	-36 529 246	Fp4
Intangible assets	320 455	242 000	562 455	298 911	-263 544	
Investment Property	51 377 600	19 617 100	70 994 700	71 227 509	232 809	Fp5
Heritage Assets	0	8 321 875	8 321 875	8 321 875	0	
Long-term Receivables	12 000	0	12 000	10 022	-1 978	
Total Assets	1 039 194 171	52 299 137	1 091 493 308	1 130 103 183	38 609 875	
LIABILITIES						
Current Liabilities	89 387 215	1 380 000	90 767 215	97 482 387	6 715 172	
Consumer Deposits	4 625 000	506 000	5 131 000	8 399 605	3 268 605	
Provisions	7 181 008	874 000	8 055 008	7 903 047	-151 961	
Creditors	61 950 132	0	61 950 132	50 942 955	-11 007 177	Fp6
Unspent Conditional Grants and Receipts	0	0	0	12 680 337	12 680 337	Fp7
Operating Lease Liabilities	0	0	0	135 495	135 495	
Current Portion of Long-term Liabilities	15 631 075	0	15 631 075	17 420 948	1 789 873	
Non-Current Liabilities	288 490 460	-20 299 000	268 191 460	227 632 366	-40 559 094	
Long-term Liabilities	148 593 039	-15 737 000	132 856 039	94 133 984	-38 722 055	Fp8
Retirement Benefit Liabilities	54 673 000	-4 562 000	50 111 000	51 622 000	1 511 000	Fp9
Non-current Provisions	83 303 074	0	83 303 074	79 843 805	-3 459 269	Fp10
Trust Fund	1 921 347	0	1 921 347	2 032 577	111 230	
Total Liabilities	377 877 675	-18 919 000	358 958 675	325 114 754	-33 843 921	
Total Assets and Liabilities	661 316 496	71 218 137	732 534 633	804 988 430	72 453 797	
NET ASSETS	661 316 496	71 218 137	732 534 633	804 988 429	72 453 796	
Statutory Funds	246 275	0	246 275	245 694	-581	
Accumulated Surplus	661 070 221	71 218 137	732 288 358	804 742 736	72 454 378	
Total Net Assets	661 316 496	71 218 137	732 534 633	804 988 429	72 453 796	



HESSEQUA LOCAL MUNICIPALITY				
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018				
Cash Flow from Operating Activities	Note	2018	2017	
		R Actual	R Reclassified	R Reclassification of expenditure/ revenue
Receipts		388 928 543	400 148 190	400 148 190
Property rates		76 164 766	70 186 743	(284 734)
Fines		8 741 648	12 586 940	(20 439 204)
Government grants and subsidies		84 660 054	109 695 754	-
Service Charges		194 872 289	186 481 652	20 723 938
Income from agency services		2 218 473	1 986 815	-
Rental of facilities and equipment		2 607 264	2 028 046	(11 135 726)
Licences and permits		1 420 287	1 318 799	-
Other receipts		18 243 762	15 863 441	11 135 725
Payments		(306 645 673)	(283 683 452)	(1 282 293)
Employee related cost		(140 378 912)	(127 491 334)	(756 504)
Remuneration of councillors		(7 202 030)	(6 483 887)	-
Transfers and Subsidies		(1 054 802)	(865 317)	(865 317)
Suppliers paid		(138 943 235)	(126 879 943)	(26 540 370)
Other payments		(19 066 694)	(21 962 971)	26 879 898
Cash generated from operations	37	82 282 871	116 464 738	(1 282 293)
Interest received		19 909 265	19 615 907	
Interest paid	33	(18 822 055)	(17 722 545)	
Net Cash from Operating Activities		83 370 081	118 358 100	(1 282 293)
Cash flows from Investing Activities				
Purchase of property, plant and equipment	8	(62 158 081)	(122 237 935)	-
Sale of property, plant and equipment		538 544	1 301 440	-
Increase in non-current receivables		2 633	3 326	-
Net Cash flows from Investing Activities		(61 616 904)	(120 933 169)	-
Cash flows from Financing Activities				
New loans raised/(repaid)		(15 739 178)	5 433 889	0
(Decrease)/increase in consumer deposits		1 955 979	2 029 981	1 282 293
Increase in Trust Funds		111 231	105 192	-
Net Cash from Financing Activities		(13 671 969)	7 569 062	1 282 293
Net Increase in Cash and Cash Equivalents		8 081 209	4 993 993	(0)
Cash and cash equivalents at the beginning of the year		211 779 090	206 785 097	206 785 097
Cash and cash equivalents at the end of the year	36	219 860 299	211 779 090	211 779 090

The table below shows the 5 highest consultancy fee arrangements for the 2017/18 financial year:

Consultant arrangement	Cost R '000	Result	Reason for this engagement
BENVER CIVILS & PLANT HIRE CC	10 371	Upgrading of watermains in Stilbay, Jongensfontein, Heidelberg and repair of extensive flood damages to Roads in Riversdale	Upgrading of existing old watermains and repairing of streets
ENTSHA HENRA CC	8 496	Upgrading of Road and Stormwater in the Hessequa Municipal Area.	Upgrading and improvement of roads and stormwater infrastructure in the Hessequa Municipal Area
MEYER BETON CC	4 945	Repair of extensive flood damages project in Heidelberg	Repairing of streets
IVIWE ENGINEERING SOLUTIONS	3 519	Construction of a new 500 KI Reservoir, Booster Pumpstation and related water reticulation in Melkhoutfontein	Upgrading of water infrastructure and providing additional water storage in Melkhoutfontein
VE RETICULATION PTY LTD	2 773	Upgrading of electrical capital network Hessequa	Electrical upgrades to strengthen the current electrical networks.

Table 134.: 5 highest consultancy fees for 2017/18 financial year

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The Statement of Financial Performance provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

5.1 Financial Summary

The table below indicates the summary of the financial performance for the 2017/18 financial year:

Financial Summary						
R'000						
Description	2016/17	2017/18			2017/18 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Financial Performance						
Property rates	70 988	76 331	76 331	78 149	1 818	1 818
Service charges	188 958	197 276	197 276	201 489	4 212	4 212
Investment revenue	18 094	4 845	4 828	17 959	13 114	13 131
Transfers recognised - operational	62 641	71 567	71 302	60 346	(11 221)	(10 956)
Other own revenue	94 403	65 159	65 389	64 827	(332)	(562)

Financial Summary						
R'000						
Description	2016/17	2017/18			2017/18 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Total Revenue (excluding capital transfers and contributions)	435 084	415 177	415 126	422 768	7 591	7 642
Employee costs	127 035	151 963	153 303	151 287	(676)	(2 016)
Remuneration of councillors	6 484	7 269	7 269	7 202	(67)	(67)
Depreciation & asset impairment	26 571	35 735	35 735	30 044	(5 690)	(5 690)
Finance charges	17 723	19 008	19 008	18 822	(186)	(186)
Materials and bulk purchases	93 677	112 279	110 928	108 598	(3 681)	(2 330)
Transfers and grants						
Loss on disposal of PPE	322					
Other expenditure	120 215	109 147	109 719	87 238	(21 909)	(22 482)
Total Expenditure	392 027	435 400	435 962	403 191	(32 209)	(32 771)
Surplus/(Deficit)	43 057	(20 223)	(20 836)	19 578	39 800	40 413
Transfers recognised - capital	95 771	15 917	45 705	32 885	16 968	(12 820)
Contributions recognised - capital & contributed assets	0					
Surplus/(Deficit) after capital transfers & contributions	138 828	(4 306)	24 870	52 463	56 769	27 593
Share of surplus/ (deficit) of associate	0					
Surplus/(Deficit) for the year	138 828	(4 306)	24 870	52 463	56 769	27 593
Capital expenditure & funds sources						
Capital expenditure						
Transfers recognised - capital	104 833	15 917	45 839	26 361	10 445	(19 478)
Public contributions & donations	73					
Borrowing	29 460	52 277	34 375		(52 277)	(34 375)
Internally generated funds	4 723	10 180	10 468	35 931	25 750	25 463

Financial Summary						
R'000						
Description	2016/17	2017/18			2017/18 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Total sources of capital funds	139 089	78 374	90 682	62 292	(16 082)	(28 390)
Financial position						
Total current assets	264 212	172 472	200 859	276 030	103 558	75 172
Total non-current assets	816 408	866 722	890 635	854 073	(12 649)	(36 562)
Total current liabilities	105 045	89 387	90 767	97 482	8 095	6 715
Total non current liabilities	238 776	288 490	268 191	227 632	(60 858)	(40 559)
Community wealth/Equity	736 800	661 316	732 535	804 988	143 672	72 454
Cash flows						
Net cash from (used) operating	119 640	36 348	41 622	83 370	47 022	41 748
Net cash from (used) investing	-120 933	(71 953)	(88 180)	(61 617)	10 337	26 563
Net cash from (used) financing	6 287	36 842	(15 435)	(13 672)	(50 514)	1 763
Cash/cash equivalents at the year end	211 779	121 730	149 786	219 860	(135 402)	(70 074)
Cash backing/surplus reconciliation						
Cash and investments available	211 779	121 730	149 787	219 860	98 130	70 074
Application of cash and investments	21 251	19 800	19 503	12 680	(7 120)	(6 823)
Balance - surplus (shortfall)	190 528	101 930	130 283	207 180	105 250	76 896
Asset management						
Asset register summary (WDV)	816 396	866 710 055	890 622 720	854 062 742	(12 647)	(36 560)
Depreciation & asset impairment	26 571	35 734 618	35 734 618	30 044 169	(5 690)	(5 690)
Renewal of Existing Assets	112 567	7 597 663	15 867 463	10 430 315	2 833	(5 437)
Repairs and Maintenance	16 208	21 587 719	20 884 883	16 578 320	(5 009)	(4 307)
Free services						
Cost of Free Basic Services provided	24 752	19 048 999	19 048 999	17 866 537	(1 182)	(1 182)
Revenue cost of free services provided	5 237	13 924 533	13 924 533	13 721 888	(203)	(203)
<i>Variances are equal to actual minus original- and adjusted budget</i>						

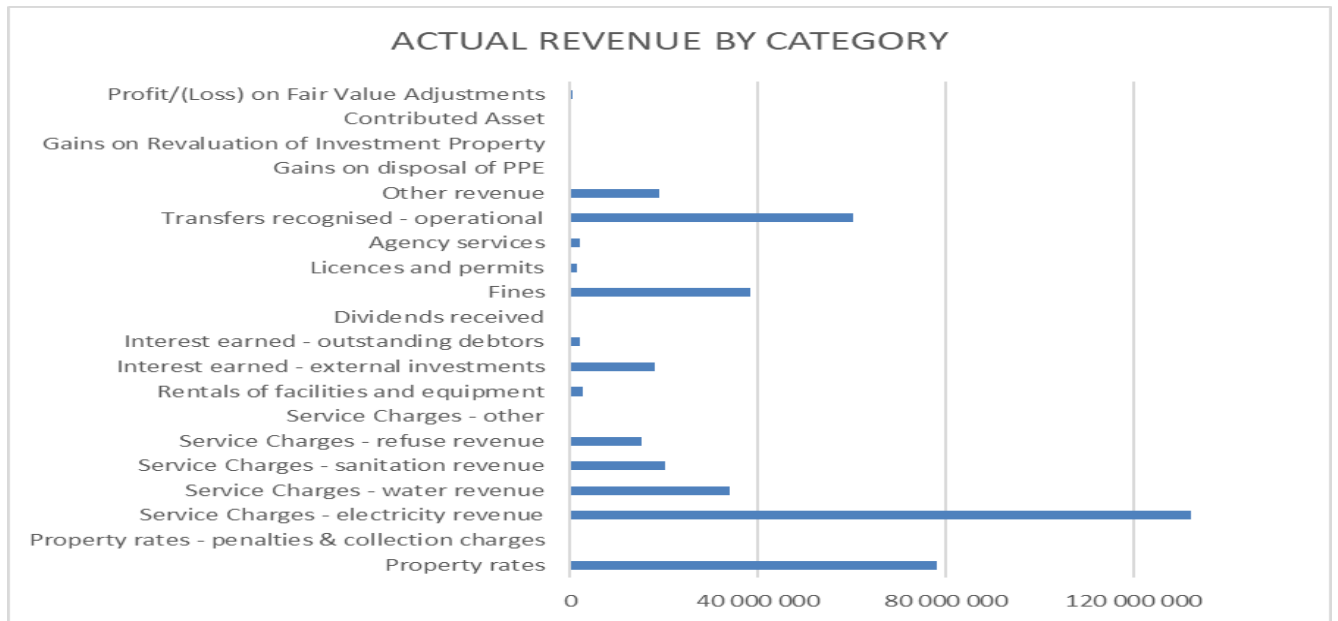
Table 135.: Financial Performance 2017/18

The table below shows a summary of performance against budgets:

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	Actual/Budget %	Budget	Actual	Diff.	Actual/Budget %
	R'000	R'000	R'000		R'000	R'000	R'000	
2016/17	510 022	536 120	(26 098)	105,1%	426 477	395 368	31 109	92,7%
2017/18	460 831	457 035	3 796	99,2%	435 962	404 573	31 389	92,8%

Table 136.: Performance against budgets

The following graph indicates the revenue by source actuals for 2017/18



Graph 3.: Revenue

The following graph indicates the expenditure by type actuals for 2017/18.

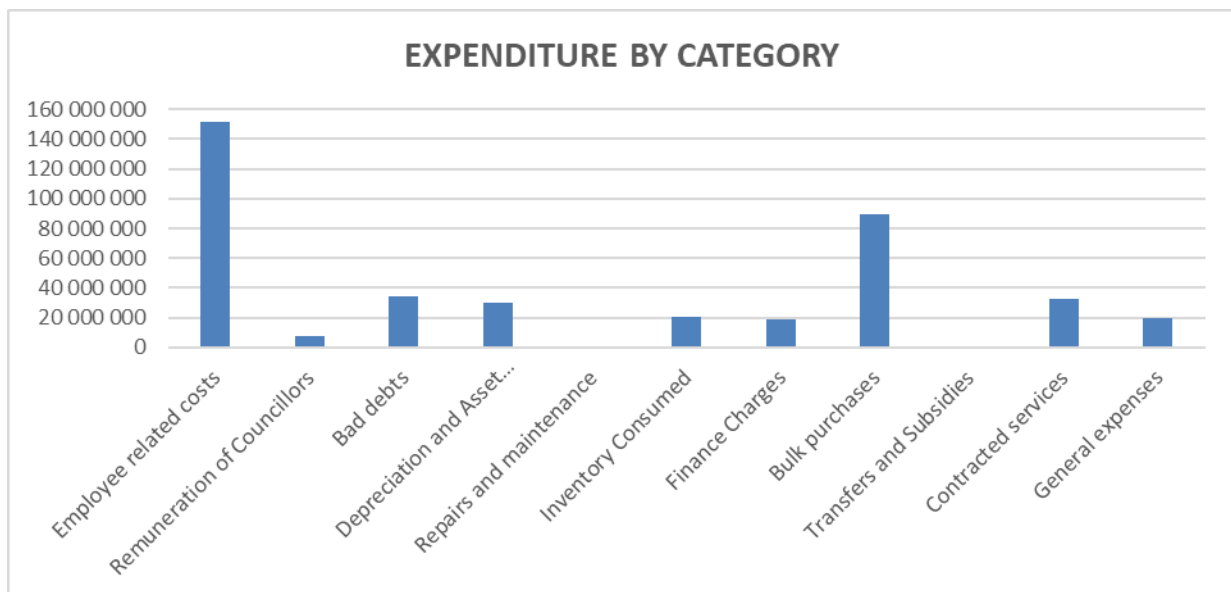


Figure 3.: Operating expenditure (refer to note 8.5 in AFS for more details)

5.1.1 Revenue collection by Vote

The table below indicates the Revenue collection performance by Vote:

Vote Description	2016/17	2017/18			2017/18 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Vote1 - Executive and Council	35 966	38 891	38 911	38 428	463	483
Vote2 - Internal Audit	0	0	0	0		
Vote3 - Finance and Admin	96 867	86 588	87 157	100 039	(13 451)	(12 882)
Vote4 - Planning and Development	2 855	4 185	4 245	4 757	(572)	(512)
Vote5 - Public Safety	1 020	51	1 251	982	(931)	269
Vote6 – Health *						
Vote7 - Community and Social Services	7 633	8 567	8 961	8 494	73	468
Vote8 - Sports and Recreation	11 474	10 622	10 751	11 817	(1 195)	(1 067)
Vote9 - Housing	16 834	22 204	20 171	11 081	11 123	9 090
Vote 10 - Waste Management	12 761	15 053	15 163	5 059	9 994	10 104
Vote11 - Road Transport	158 188	45 766	57 305	47 099	(1 333)	10 206
Vote12 - Waste Water Management	23 852	27 335	31 100	21 635	5 700	9 465
Vote13 - Water Management	33 433	40 463	53 306	34 489	5 974	18 817
Vote14 - Energy Sources	129 076	130 897	131 866	172 661	(41 763)	(40 795)
Vote15 - Environmental Protection	573	461	523	475	(14)	48
Vote16 - Other		10	122	20	(10)	102
Total Revenue by Vote	530 532	431 094	460 831	457 035	(25 942)	3 796
<i>Variances are equal to actual minus original- and adjusted budget (*Health responsibility of District Municipality)</i>						

Table 137.: Revenue by Vote

5.1.2 Revenue collection by Source

The table below indicates the revenue collection performance by source for the 2017/18 financial year:

Description	2016/17	2017/18			2017/18 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Property rates	70 988	76 331	76 331	78 149	(1 818)	(1 818)
Property rates - penalties & collection charges	0					
Service Charges - electricity revenue	128 077	129 632	129 632	132 153	(2 521)	(2 521)
Service Charges - water revenue	31 145	33 694	33 694	33 830	(136)	(136)
Service Charges - sanitation revenue	17 194	19 027	19 027	20 242	(1 214)	(1 214)
Service Charges - refuse revenue	12 542	14 924	14 924	15 264	(340)	(340)
Service Charges - other	0					

Description	2016/17	2017/18			2017/18 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Rentals of facilities and equipment	2 028	1 804	1 821	2 607	(803)	(786)
Interest earned - external investments	18 094	4 845	4 828	17 959	(13 114)	(13 131)
Interest earned - outstanding debtors	1 522	1 393	1 393	1 950	(558)	(558)
Dividends received						
Fines	66 507	41 334	41 208	38 417	2 917	2 791
Licences and permits	1 319	1 397	1 397	1 420	(23)	(23)
Agency services	1 987	1 950	1 950	2 218	(268)	(268)
Transfers recognised - operational	62 641	71 567	71 302	60 346	11 221	10 956
Other revenue	16 134	14 780	14 985	18 898	(4 118)	(3 913)
Gains on disposal of PPE	979	2 500	2 500	102	2 398	2 398
Gains on Revaluation of Investment Property	0					
Contributed Asset	900			142	(142)	(142)
Profit/(Loss) on Fair Value Adjustments	2705			454	(454)	(454)
Total Revenue (excluding capital transfers and contributions)	434 762	415 177	414 992	424 150	(8 973)	(9 158)
<i>Variances are equal to actual minus original- and adjusted budget (EXCLUDING CAPITAL GRANTS)</i>						

Table 138.: Revenue by Source

5.1.3 Operational Services Performance

4The table below indicates the Operational services performance for the 2017/18 financial year:

Description	2016/17	2017/18			2016/17 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating Cost						
Water Management	10 394	13 809	27 547	9 978	3 830	17 568
Waste Water Management	6 136	6 239	9 689	1 599	4 640	8 090
Energy Sources	18 025	15 727	14 732	56 044	(40 317)	(41 312)
Waste Management	(12 340)	(13 067)	(13 236)	(23 500)	10 432	10 263
Housing	(928)	(1 356)	(1 308)	(977)	(379)	(331)
Component A: sub-total	21 286	21 352	37 423	43 144	(21 793)	(5 721)
Waste Water (Storm water Drainage)		–				
Road Transport	68 270	(38 001)	(25 990)	(28 936)	(9 065)	2 947
Transport		–				
Component B: sub-total	68 270	(38 001)	(25 990)	(28 936)	(9 065)	2 947

Description	2016/17	2017/18			2016/17 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating Cost						
Planning And Development	(5 385)	(5 491)	(5 502)	(4 620)	(871)	(882)
Other	(1 074)	(1 280)	(1 280)	(1 164)	(116)	(116)
Component C: sub-total	(6 459)	(6 771)	(6 782)	(5 785)	(986)	(998)
Community And Social Services	(6 617)	(9 385)	(9 012)	(6 781)	(2 604)	(2 231)
Environmental Protection	(986)	(1 194)	(1 295)	(1 082)	(112)	(213)
Health						
Public Safety	(2 793)	(4 297)	(3 572)	(3 880)	(417)	307
Sport And Recreation	(4 559)	(9 150)	(9 136)	(5 371)	(3 779)	(3 764)
Finance And Administration	58 253	32 551	33 007	52 425	(19 874)	(19 418)
Executive And Council	14 589	12 020	11 657	10 000	2 020	1 658
Internal Audit	(1 180)	(1 431)	(1 431)	(1 272)	(159)	(159)
Component D: sub-total	56 709	19 114	20 218	44 039	(24 925)	(23 820)
Net	139 805	(4 306)	24 870	52 463	(56 769)	(27 593)
<i>In this table operational income (but not levies or tariffs) is offset against operational expenditure leaving a net operational expenditure total for each service. Variances are equal to actual minus original- and adjusted budget</i>						

Table 139.: Operational Services Performance

5.2 Financial Performance per Municipal Function

5.2.1 Water Services

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Water Management	R'000				
Total Operational Revenue	33 433	40 463	53 306	34 489	18 817
Expenditure:					
Employees	8 717	8 798	9 178	9 261	(83)
Inventory	7 271	9 645	9 429	6 842	2 587
Depreciation and amortisation	2 378	2 483	2 483	2 726	(243)
Bulk Purchases	702	732	287	192	95
Interest Paid	892	1 477	1 377	1 361	17
Bad debts	1 011	894	894	1 480	(586)
Contracted Services	945	1 257	674	486	188
Loss on Disposal of PPE					
Water losses				886	(886)
Gains/(Loss) on Sale of Fixed Assets					

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Water Management	R'000				
General Expenses	1 125	1 368	1 438	1 278	160
Total Operational Expenditure	23 040	26 655	25 759	24 511	1 248
Net	10 394	13 809	27 547	9 978	17 568
Variances equal to actual minus adjustment budget (INCLUDING CAPITAL GRANTS)					

Table 140.: Financial Performance: Water services

5.2.2 Waste Water (Sanitation)

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Waste Water Management	R'000				
Total Operational Revenue	23 852	27 335	31 100	21 635	9 465
Expenditure:					
Employees	9 244	9 957	10 483	10 718	(235)
Inventory	1 253	1 931	1 638	1 420	218
Depreciation and amortisation	2 976	4 303	4 303	3 283	1 019
Bulk Purchases	233	286			
Interest Paid	1 113	1 656	1 476	1 268	208
Bad debts	598	476	476	807	(331)
Contracted Services	1 699	1 693	2 070	1 731	339
Loss on Disposal of PPE					
Gains/(Loss) on Sale of Fixed Assets					
General Expenses	599	794	965	809	156
Total Operational Expenditure	17 716	21 096	21 411	20 036	1 375
Net	6 136	6 239	9 689	1 599	8 090
Variances equal to actual minus adjustment budget					

Table 141.: Financial Performance: Waste Water (Sanitation) services

5.2.3 Electricity

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Energy Sources	R'000				
Total Operational Revenue	129 076	130 897	131 866	172 661	(40 795)
Expenditure:					
Employees	9 382	10 559	10 581	10 174	407
Inventory	1 586	2 064	2 011	1 862	150
Depreciation and amortisation	2 520	3 220	3 220	3 255	(35)
Bulk Purchases	86 857	85 988	87 082	89 170	(2 087)
Interest Paid	6 548	6 174	6 383	6 383	
Bad debts	237	2 519	2 519	866	1 653
Contracted Services	1 616	1 888	2 468	1 922	547
Loss on Disposal of PPE					
Inventories: (write-down)/Reversal of write-down to Net Realisable value				121	(121)
General Expenses	2 304	2 759	2 870	2 865	5
Total Operational Expenditure	111 050	115 170	117 134	116 616	518
Net	18 025	15 727	14 732	56 044	(41 312)
<i>Variances equal to actual minus adjustment budget</i>					

Table 142.: Financial Performance: Electricity

5.2.4 Waste Management

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Waste Management	R'000				
Total Operational Revenue	12 761	15 053	15 163	5 059	10 104
Expenditure:					
Employees	8 900	10 301	10 455	10 066	388
Inventory	1 181	1 584	1 444	1 428	16
Depreciation and amortisation	6 425	6 588	6 588	7 286	(698)
Bulk Purchases					

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Waste Management	R'000				
Interest Paid	5 770	6 166	6 166	6 335	(169)
Bad debts	426	421	421	685	(264)
Contracted Services	1 800	2 276	2 542	2 130	412
Loss on Disposal of PPE					
General Expenses	599	783	784	629	154
Total Operational Expenditure	25 101	28 120	28 399	28 559	(160)
Net	(12 340)	(13 067)	(13 236)	(23 500)	10 263
<i>Variances equal to actual minus adjustment budget</i>					

Table 143.: Financial Performance: Waste Management

5.2.5 Housing

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Housing	R'000				
Total Operational Revenue	16 834	22 204	20 171	11 081	9 090
Expenditure:					
Employees	621	1 092	1 099	955	144
Inventory					
Depreciation and amortisation	3	95	95	3	92
Bulk Purchases					
Interest Paid					
Bad debts					
Contracted Services	17 117	22 330	20 236	11 073	9 164
Loss on Disposal of PPE					
General Expenses	21	43	49	28	21
Total Operational Expenditure	17 762	23 560	21 479	12 058	9 421
Net	(928)	(1 356)	(1 308)	(977)	(331)
<i>Variances equal to actual minus adjustment budget</i>					

Table 144.: Financial Performance: Housing

5.2.6 Roads

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Road Transport	R'000				
Total Operational Revenue	158 188	45 766	57 305	47 099	10 206
Expenditure:					
Employees	23 809	26 743	26 659	25 086	1 573
Inventory	4 335	5 469	4 714	4 187	527
Depreciation and amortisation	6 684	11 274	11 274	7 564	3 710
Bulk Purchases					
Interest Paid	3 062	3 163	3 148	3 043	105
Bad debts	44 285	30 451	30 451	30 057	394
Contracted Services	6 297	4 576	4 958	4 419	539
Loss on Disposal of PPE					
General Expenses	1 446	2 091	2 091	1 678	413
Total Operational Expenditure	89 918	83 768	83 295	76 035	7 260
Net	68 270	(38 001)	(25 990)	(28 936)	2 947
<i>Variances equal to actual minus adjustment budget</i>					

Table 145.: Financial Performance: Roads

5.2.7 Planning

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Planning And Development	R'000				
Total Operational Revenue	2 855	4 185	4 245	4 757	(512)
Expenditure:					
Employees	7 363	7 952	7 980	8 165	(184)
Inventory	72	111	182	154	28
Depreciation and amortisation	18	71	71	24	47
Bulk Purchases					
Interest Paid					
Bad debts					
Contracted Services	261	633	585	392	193
Loss on Disposal of PPE					
General Expenses	527	909	930	643	287
Total Operational Expenditure	8 240	9 676	9 747	9 377	370
Net	(5 385)	(5 491)	(5 502)	(4 620)	(882)
<i>Variances equal to actual minus adjustment budget</i>					

Table 146.: Financial Performance: Planning

5.2.8 Community & Social Services

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Community And Social Services	R'000				
Total Operational Revenue	7 633	8 567	8 961	8 494	468
Expenditure:					
Employees	10 792	13 110	13 210	11 745	1 465
Inventory	761	930	778	654	124
Depreciation and amortisation	918	1 308	1 308	871	437
Bulk Purchases	19				
Interest Paid	73	169	169	145	24
Bad debts					
Contracted Services	615	1 156	1 303	942	361
Loss on Disposal of PPE					
General Expenses	1 072	1 279	1 205	917	288
Total Operational Expenditure	14 250	17 952	17 973	15 274	2 699
Net	(6 617)	(9 385)	(9 012)	(6 781)	(2 231)
<i>Variances equal to actual minus adjustment budget</i>					

Table 147.: Financial Performance: Community & Social Services

5.2.9 Environmental Protection

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Environmental Protection	R'000				
Total Operational Revenue	573	461	523	475	48
Expenditure:					
Employees	802	745	856	757	99
Inventory	174	203	204	171	33
Depreciation and amortisation	7	7	7	5	2
Bulk Purchases					
Interest Paid					
Bad debts					
Contracted Services	166	239	236	166	70
Loss on Disposal of PPE					
General Expenses	441	462	515	458	57
Total Operational Expenditure	1 590	1 655	1 818	1 557	261
Net	(1 017)	(1 194)	(1 295)	(1 082)	(213)
<i>Variances equal to actual minus adjustment budget</i>					

Table 148.: Financial Performance: Environmental Protection

5.2.10 Security and Safety

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment	Actual	Variance to Budget
			Budget		
Public Safety	R'000				
Total Operational Revenue	1 020	51	1 251	982	269
Expenditure:					
Employees	1 024	1 011	1 225	1 603	(378)
Inventory	183	326	254	218	36
Depreciation and amortisation	81	176	176	92	85
Bulk Purchases					
Interest Paid					
Bad debts					
Contracted Services	2 437	2 563	2 881	2 761	119
Loss on Disposal of PPE					
General Expenses	88	272	287	188	99
Total Operational Expenditure	3 813	4 348	4 823	4 862	(38)
Net	(2 793)	(4 297)	(3 572)	(3 880)	307
Variances equal to actual minus adjustment budget					

Table 149.: Financial Performance: Public Safety

5.2.11 Sport and Recreation

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Sport And Recreation					
Total Operational Revenue	11 474	10 622	10 751	11 817	(1 067)
Expenditure:					
Employees	10 633	12 318	12 349	11 147	1 202
Inventory	1 436	1 775	1 800	1 412	387
Depreciation and amortisation	2 132	2 764	2 764	2 183	580
Bulk Purchases					
Interest Paid	98	73	113	113	
Bad debts					
Contracted Services	1 125	1 954	2 000	1 722	278
Loss on Disposal of PPE					
General Expenses	608	887	861	611	250
Total Operational Expenditure	16 033	19 772	19 886	17 189	2 697
Net	(4 559)	(9 150)	(9 136)	(5 371)	(3 764)
Variances equal to actual minus adjustment budget					

Table 150.: Financial Performance: Sport and Recreation

5.2.12 Finance & Admin

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Finance And Administration	R'000				
Total Operational Revenue	96 867	86 588	87 157	100 039	(12 882)
Expenditure:					
Employees	24 928	35 168	34 980	33 716	1 264
Inventory	822	1 046	974	806	168
Depreciation and amortisation	2 355	3 301	3 301	2 696	604
Bulk Purchases	59	76			()
Interest Paid	168	129	175	175	
Bad debts	913	724	724	451	273
Contracted Services	2 731	3 296	3 725	2 684	1 040
Loss on Disposal of PPE					
Profit/(Loss) on Fair Value Adjustments					
Reversal of Impairment Loss/(Impairment Loss) on receivables					
General Expenses	6 638	10 298	10 273	7 085	3 188
Total Operational Expenditure	38 614	54 037	54 150	47 614	6 536
Net	58 253	32 551	33 007	52 425	(19 418)
<i>Variances equal to actual minus adjustment budget</i>					

Table 151.: Financial Performance: Corporate Policy Offices & Other

5.2.13 Executive & Council

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Executive And Council	R'000				
Total Operational Revenue	35 966	38 891	38 911	38 428	483
Expenditure:					
Employees	16 412	20 679	20 719	23 307	(2 588)
Inventory	24	57	57	29	27
Depreciation and amortisation	43	90	90	34	57
Bulk Purchases					
Interest Paid					
Bad debts					
Contracted Services	1 753	2 332	2 552	1 506	1 045
Loss on Disposal of PPE					
General Expenses	3 146	3 714	3 836	3 552	285
Total Operational Expenditure	21 377	26 872	27 254	28 428	(1 174)
Net	14 589	12 020	11 657	10 000	1 658
<i>Variances equal to actual minus adjustment budget</i>					

Table 152.: Financial Performance: Executive & Council

5.2.14 Internal Audit

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Internal Audit					
Total Operational Revenue	0	0	0	0	
Expenditure:					
Employees	1 073	1 251	1 251	1 198	54
Inventory	1	2	2	2	
Depreciation and amortisation	4	6	6	3	4
Bulk Purchases					
Interest Paid					
Bad debts					
Contracted Services	68	89	89	58	31
Loss on Disposal of PPE					
General Expenses	34	82	82	12	70
Total Operational Expenditure	1 180	1 431	1 431	1 272	159
Net	(1 180)	(1 431)	(1 431)	(1 272)	(159)
<i>Variances equal to actual minus adjustment budget</i>					

Table 153.: Financial Performance: Internal Audit

5.2.15 Other

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Other					
Total Operational Revenue		10	122	20	102
Expenditure:					
Employees	575	662	662	591	71
Inventory	25	54	74	52	22
Depreciation and amortisation	27	48	48	18	30
Bulk Purchases					
Interest Paid					
Bad debts					
Contracted Services	105	120	205	202	2
Loss on Disposal of PPE					
General Expenses	342	405	412	321	92
Total Operational Expenditure	1 074	1 290	1 402	1 184	217
Net	(1 074)	(1 280)	(1 280)	(1 164)	(116)
<i>Variances equal to actual minus adjustment budget</i>					

Table 154.: Financial Performance: Other

5.3 Grants

5.3.1 Grant Performance :

Grant Performance						
R'000						
Description	2016/17	2017/18		2017/18 Variance		
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<u>Operating Transfers and Grants</u>						
National Government:	29 253	40 171	40 171	40 133	38	38
Equitable share	23 039	37 497	37 497	37 497		
Municipal Systems Improvement	0					
Finance Management	1 475	1 550	1 550	1 550		
Energy Efficiency & Demand Management	3 000					
Expended Public Works programme (EPWP)	1 088	433	433	395	38	38
Disaster Recovery Grant	-					
Mig 5%	651	691	691	691		
Provincial Government:	36 229	30 250	19 145	19 934	10 316	(789)
Housing	28 119	22 200	10 068	11 006	11 194	(938)
Housing Consumer education						
Housing Correction Previous claims	-					
National Emergency Housing Programme / Elec Master plan	-		600	600	(600)	
Tuin op die brak	0					
Greenest municipality	135		50	42	(42)	8
Financial Support Grant / Management	362	240	570	415	(175)	155
Performance Management Grant						
Thusong Centre	0					
Capacity Building	200		66	91	(91)	(25)
Libraries, CDW, Road Maintenance	7 413	7 810	7 791	7 780	29	10
Other grant providers	437	1 049	1 049	278	770	770
Seta/Disaster Relief/Trade Union/HCE/ASLA/tourism	437	1 049	1 049	278	770	770
Heritage Council WC	0					
Arbor City	0					
National Lottery fund	0					
Total Operating Transfers and Grants	65 919	71 469	60 364	60 346	11 124	19
<i>Variances equal to actual minus original and adjustment budget</i>						

Table 155.: Grant Performance for 2017/18

5.3.2 Conditional Grants (Excluding MIG)

Conditional Grants: excluding MIG R' 000						
Details	Budget	Adjusted Budget	Actual	Variance		Major conditions applied by donor
				Budget	Adjusted Budget	
FMG, MSIG, NEP, EPWP, DME, PGWC: LIBRARY GRANTS, PGWC: FINANCIAL SUPPORT GRANT	10 492 800	10 822 800	10 996 974	(504)	(174)	
Total	10 492 800	10 822 800	10 996 974	-504 174	-174 174	
<i>This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG). Variances equal to actual minus original/adjustment budget</i>						

Table 156.: Conditional Grant (excl. MIG)

The municipality has spent all its grant money and met the conditions thereof.

5.3.4 Level of Reliance on Grants & Subsidies

Financial year	Total grants	Total	Percentage
	and subsidies received	Operating Revenue	
	R'000	R'000	
2016/17	158 412	530 532	29.86%
2017/18	93 231	457 035	20.40%

Table 157.: Reliance on grants

The following graph indicates the municipality's reliance on grants as percentage for the last two financial years.

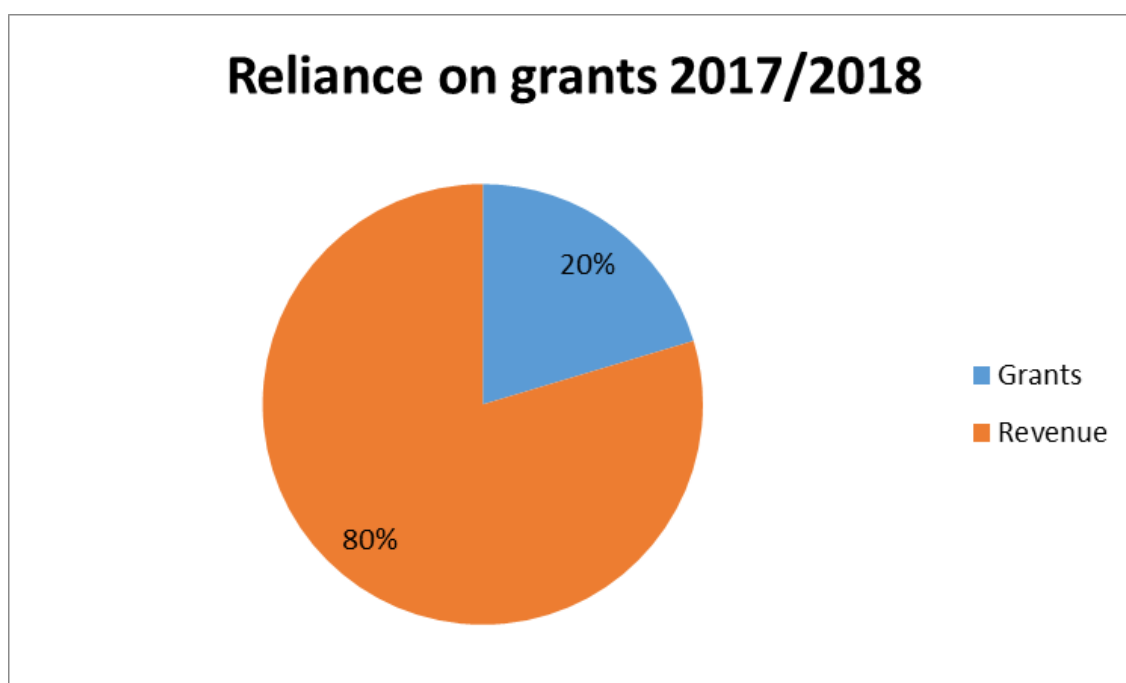
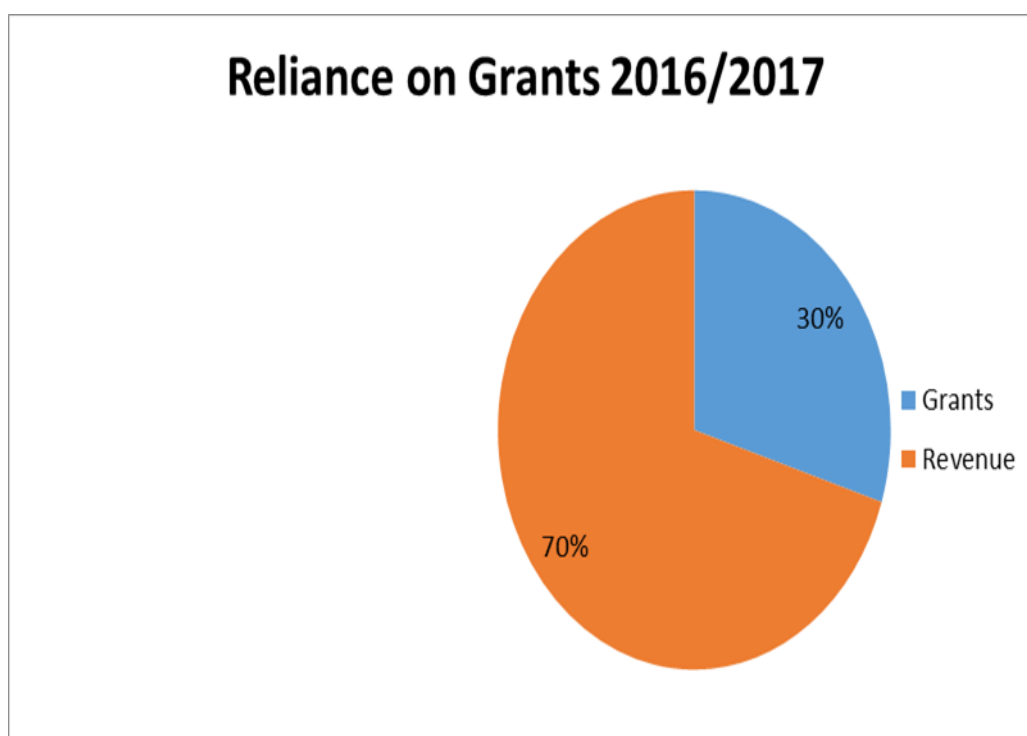


Figure 4.: Reliance on grants

The Municipality's dependency on grants is more than the previous financial year.

5.4 Asset Management

The Municipality maintained its infrastructure and immovable assets.

5.4.1 Maintenance / Development of the Three Largest Assets

Asset 1		
Name	Upgrading of Riversdale Waste Water Treatment Works: Phase 2A	
Description	Construction of a new sewerage inlet works to increase the capacity to 4Ml/day. (Increase the capacity of the works)	
Asset Type	Infrastructure	
Key Staff Involved	Director Technical Services: (Harold Basson) & Manager Civil Planning and Project Management (Shahida Kennedy)	
Staff Responsibilities	Project management	
Asset Value	2016/17 (R'000)	2017/18 (R'000)
	1 012	11 866

Table 158.: Summary of Upgrading of Riversdale Waste Water Treatment Works

Asset 2		
Name	New 500 KI Reservoir, Booster Pumpstation and related water reticulation in Melkhoutfontein	
Description	Improvement of Bulk water infrastructure in the Melkhoutfontein area.	
Asset Type	Infrastructure	
Key Staff Involved	Director Technical Services: (Harold Basson) & Manager Civil Planning and Project Management (Shahida Kennedy)	
Staff Responsibilities	Project management	
Asset Value	2016/17 (R'000)	2017/18 (R'000)
	1 598	5 480

Table 159.: Summary of Bulk Water Infrastructure in Melkhoutfontein

Asset 3		
Name	Upgrading of water mains in Stillbay, Jongensfontein, Melkhoutfontein and Heidelberg	
Description	Replacement of existing water mains (Improvement of water networks)	
Asset Type	Infrastructure	
Key Staff Involved	Director Technical Services: (Harold Basso) & Manager Civil Planning and Project Management (Shahida Kennedy)	
Staff Responsibilities	Project management	
Asset Value	2016/17 (R'000)	2017/18 (R'000)
	0	521

Table 160.: Summary of Upgrading of water mains in Stillbay, Jongensfontein, Melkhoutfontein and Heidelberg

One of the recommendations in the approved financial plan of the Council is not to neglect the replacement of existing assets.

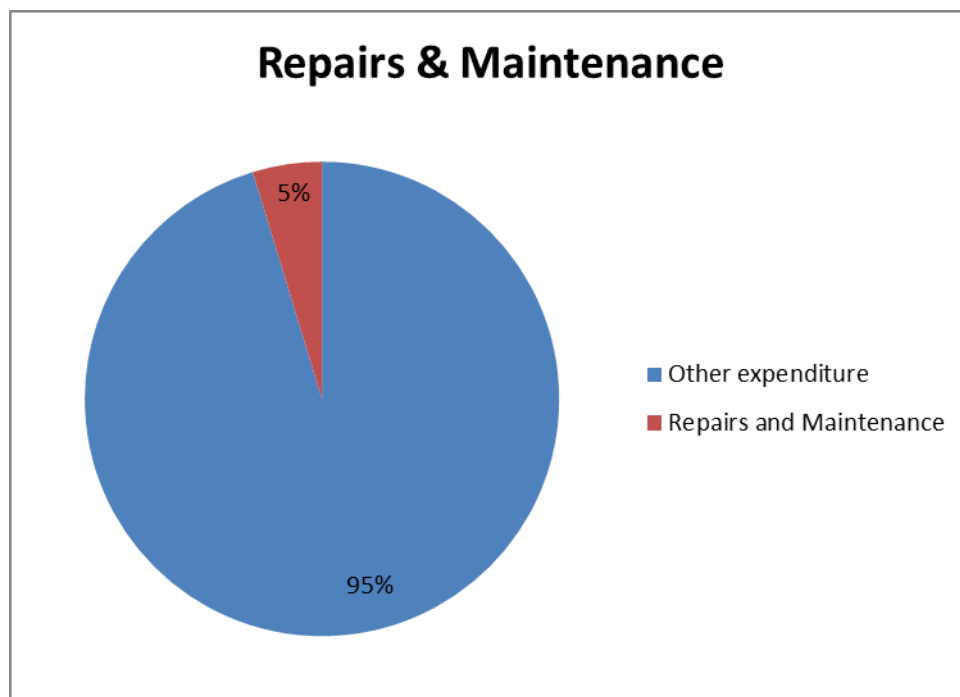
5.4.2 Repairs and Maintenance

Description	2016/17	2017/18
	R'000	R'000
Total Operating Expenditure	390 727	404 573
Repairs and Maintenance	16 208	16 578
% of total OPEX	4,15%	4,10%

*Note: These figures do not include salaries of repairs and maintenance staff

Table 161.: Repairs & maintenance as % of total Operating Expenditure

The following graph indicates the percentage of the budget that was spent on repairs & maintenance in relation to the operational expenditure.



Repairs & Maintenances. Operational Expenditure

The repairs and maintenance costs above do not include employee costs associated with repairs and maintenance, since the municipality do not take these costs into account when calculating the total repairs and maintenance costs. The aforementioned will bring the percentage spend on repairs and maintenance costs closer to the norm of approximately 7%.

5.5 Financial Ratios Based on Key Performance Indicators

5.5.1 Liquidity Ratio

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audit outcome
Current Ratio	Current assets/current liabilities	2.52	2.83
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.28	2.57
Liquidity Ratio	Monetary Assets/Current Liabilities	2.48	2.80

Table 162.: Liquidity Financial Ratio (norm 1:5 to 2:1)

Financial year	Total Assets	Total Liabilities	Ratio
	R'000	R'000	
2016/17	1 096 347	343 821	3.1:1
2017/18	1 130 103	325 115	3.5:1

Table 163.: Liquidity Financial Ratio (norm 1:5 to 2:1 and above)

5.5.2 IDP Regulation Financial Viability Indicators

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audit outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	11,451932	11,32
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	19,03%	18,52%
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	11,13	11,13

Table 164.: Financial Viability National KPAs

5.5.3 Creditors Management

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audit outcome
Creditors System Efficiency	of Creditors Paid Within Terms (within MFMA' s 65(e))	80,9 Days	78,3 Days

Table 165.: Creditors Management

5.5.4 Borrowing Management

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audit outcome
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	8.24%	8.54%

Table 166.: Borrowing Management

5.5.5 Employee costs

Description	Basis of calculation	2016/17	2017/18
		Audited outcome	Audit outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	30,88%	37,37%

Table 167.: Employee Costs

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 Analysis of Capital and operating expenditure

R million	Original Budget	Adjusted Budget	Actual	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	78 374	90 682	62 292	(16 082)	(28 390)
Operating Expenditure	435 400	435 962	404 573	(30 827)	(31 389)
Total expenditure (Capital)	63 501	90 682	62 292	(1 209)	(28 390)
Water and sanitation	33 818	44 880	26 210	(7 609)	(18 671)
Electricity	3 617	8 976	8 574	4 957	(401)
Housing					
roads pavements bridges and storm water	6 425	15 244	9 525	3 100	(5 719)
Other	19 640	21 582	17 983	(1 658)	(3 599)
Total Finance Source - Capital	63 501	90 682	62 292	(1 209)	(28 390)
External Loans	39 485	34 375	27 423	(12 063)	(6 952)
Internal contributions	9 281	10 468	8 508	(773)	(1 960)
Grants and subsidies	14 735	45 714	26 236	11 501	(19 478)
Other		126	126	126	
Salaries, wages and allowances	151 963	153 303	152 568	604	(735)
External loans repaid	19 008	19 008	18 822	(186)	(186)
Operating Revenue	431 094	460 831	457 035	25 942	(3 796)
Property rates	76 331	76 331	78 149	1 818	1 818
Service charges	197 276	197 276	201 489	4 212	4 212
Other own revenue	157 487	187 224	177 398	19 912	(9 826)
Operating Expenditure	435 400	435 962	404 573	(30 827)	(31 389)
Employee related costs	151 963	153 303	152 568	604	(735)
Provision for working capital	35 485	35 485	33 065	(2 420)	(2 420)
Contracted services	46 401	46 521	32 193	(14 209)	(14 329)
Bulk purchases	87 082	87 369	89 362	2 280	1 993
Other expenditure	114 468	113 283	97 385	(17 083)	(15 898)
	130 632	131 866	172 661	41 763	40 795
Service charges: Electricity	129 632	129 632	132 153	2 521	2 521
Grants & subsidies: Electricity	1 000	1 874	1 600	600	(274)
Other revenue: Electricity	265	361	38 907	38 642	38 547
	115 170	117 134	116 616	1 447	(518)
Employee related costs: Electricity	10 559	10 581	10 174	(385)	(407)

R million	Original Budget	Adjusted Budget	Actual	Original Budget variance	Adjusted Budget Variance
Provision for working capital: Electricity	2 519	2 519	431	(2 088)	(2 088)
Contracted Services: Electricity	1 888	2 468	1 922	34	(547)
Bulk purchases: Electricity	85 988	87 082	89 170	3 182	2 087
Other expenditure: Electricity	14 216	14 484	14 921	704	437
	40 463	53 306	34 489	(5 974)	(18 817)
Service charges: Water	33 694	33 694	33 830	136	136
Grants & subsidies: Water	384	12 384	384	()	(12 000)
Other revenue: Water	6 386	7 228	275	(6 110)	(6 953)
	26 655	25 759	24 511	(2 144)	(1 248)
Employee related costs: Water	8 798	9 178	9 261	463	83
Provision for working capital: Water	894	894	1 480	586	586
Contracted Services: Water	1 257	674	486	(771)	(188)
Bulk purchases: Water	732	287	192	(540)	(95)
Other expenditure: Water	14 974	14 727	13 092	(1 881)	(1 635)

Table 168.: Analysis of Capital and Operating Expenditure

The low expenditure can be attributed to the following reasons: Two of the bids prices that come in higher than the threshold of the allowable procurement, this led to the cancellation of two tenders. Delay in receiving of tender documentation and reports from Consulting Engineers. More detailed Consulting Engineer agreement was drafted to control the performance of consulting Engineers. Additional grants were received for National Disaster Management, which led to an increase in the 2017/18 capital budget.

5.7 Sources of Finance

The table below indicates the capital expenditure by funding source for the 2017/18 financial year:

Capital Expenditure - Funding Sources 2016/17 to 2017/18						
R'000						
Details	2016/17	2017/18				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Variance Ori	Variance Adjustment
External loans	29	39 485	34 375	27 423	(12 063)	(6 952)
Public contributions and donations			126	126	126	
Grants and subsidies	105	14 735	45 714	26 236	11 501	(19 478)
Other / CRR	5	9 281	10 468	8 508	(773)	(1 960)
Total	139 090	63 501	90 682	62 292	(1 209)	(28 390)



Capital Expenditure - Funding Sources 2016/17 to 2017/18						
R'000						
Details	2016/17	2017/18				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Variance Ori	Variance Adjustment
Percentage of finance						
External loans	21.20%	62.18%	37.91%	44.02%	-18%	6%
Public contributions and donations	0.10%	0.00%	0.14%	0.20%	0%	0%
Grants and subsidies	75.40%	23.20%	50.41%	42.12%	19%	-8%
Other	3.40%	14.61%	11.54%	13.66%	-1%	2%
Percentage of expenditure						
Water and sanitation	34	33 818	44 880	26 210	(7 609)	(18 671)
Electricity	5	3 617	8 976	8 574	4 957	(401)
Housing						
Roads and stormwater	87	6 425	15 244	9 525	3 100	(5 719)
Other	13	19 640	21 582	17 983	(1 658)	(3 599)
Total	139 090	63 501	90 682	62 292	(1 209)	(28 390)
Percentage of expenditure						
Water and sanitation	-10.20%	53.26%	49.49%	42.08%	-11%	-7%
Electricity	0.80%	5.70%	9.90%	13.76%	8%	4%
Housing	0.00%				0%	0%
Roads and stormwater	92.10%	10.12%	16.81%	15.29%	5%	-2%
Other	17.30%	30.93%	23.80%	28.87%	-2%	5%

Table 169.: Capital Expenditure by funding source

Funding of the capital budget consist of a mix of external loans, grants & subsidies and own funds. The effect of interest rates on external borrowings was taken into account with the compilation of the budget.

5.8 Capital Spending on the 5 most expensive Projects

Projects with the highest capital expenditure in 2017/18

Name of Project*	Current Year: 2017/18		Variance Current Year: 2017/18
	Amended Budget R'000	Actual Expenditure R'000	Variance R'000
Upgrading of Sewerage works - Phase 2 - Riversdale	10 225	10 409	(184)
Upgrade streets and stormwater flood damage	7 193	7 156	37
Substasie by hoof invoer punt Eskom - Riversdal	6 302	6 302	
New Bulk Water - 550 Low cost Housing - MHFT - Stilbaai	4 991	4 827	164
Repair of Streets damaged by floods	3 740	2 879	861

Table 170.: Capital Expenditure on the 5 most expensive Projects



Name of Project	Upgrading of Sewerage works - Phase 2 - Riversdale
Objective of Project	To increase the current capacity of the sewerage treatment works.
Delays	During construction the contractor was delayed due to excess hard rock discovered. Additional labourers was appointed and extension of time for practical completion was granted.
Future Challenges	None
Anticipated citizen benefits	16172 (Riversdale)

Table 171.: Summary of Upgrading of Sewerage works - Phase 2 - Riversdale

Name of Project	UPGRADE STREET AND STORMWATER FLOOD DAMAGE
Objective of Project	To upgrade the existing roads and storm water infrastructure damage by flood damages in Heidelberg and Riversdale.
Delays	None
Future Challenges	None
Anticipated citizen benefits	Riversdale (16172) and Heidelberg (8259)

Table 172.: Summary of Upgrade Street and Stormwater damage

Name of Project	Substation main input ESKOM - Riversdale
Objective of Project	To upgrade the capacity of the electrical supply and strengthen the network in Riversdale.
Delays	None
Future Challenges	None
Anticipated citizen benefits	16172

Table 173.: Summary of Substation main input ESKOM - Riversdale

Name of Project	New Bulk Water - 550 Low cost Housing - MHFT - Stilbaai
Objective of Project	To improve the water reticulation and cater for future developments to ensure sufficient water supply and water storage to the Community of Melkhoutfontein
Delays	Poor attendance of local labourers had an impact on the progress of the project. Approval was granted to use permanent staff employed by the contractor if the problem continues. Project was completed on time and within budget.
Future Challenges	None
Anticipated citizen benefits	2750 (Melkhoutfontein)

Table 174.: Summary of New Bulk Water - 550 Low Cost Housing -Melkhoutfontein - Stilbaai

Name of Project	REPAIR OF STREETS DAMAGED BY FLOODS
Objective of Project	To repair streets damage by floods.
Delays	None
Future Challenges	None
Anticipated citizen benefits	16172

Table 175.: Summary of Repair of streets damaged by floods

5.9 Basic Service and Infrastructure Backlogs – Overview

5.9.1 Municipal Infrastructure Grant (MIG)

This grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Municipal Infrastructure Grant (MIG)* Expenditure 2017/18 on Service backlogs			
R0			
Details	Approved Budget	Actual	Variance from Approved Budget
Infrastructure - Road transport	0	0	0
<i>Storm water</i>			
Sport development	0	0	0
<i>Street Lighting</i>			
Infrastructure - Water	4 991	4 827	164
<i>Dams & Reservoirs</i>			
Infrastructure - Sanitation	10 225	10 409	(184)
<i>Reticulation</i>			
Other:			
Total	15 216	15 236	(20)

** MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure. Variances is the difference between actual and approved budget*

The amount of R2 951 was unspent at year end due to limited time. Rollover applications will be submitted for all the unspent funds.

Table 176.: Municipal Infrastructure Grant (MIG)

All MIG funds received are utilised to improve and provided services to previously disadvantaged areas.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Accurate cash flow projections will enable the Council to invest surplus funds at the best interest rate. Stricter measures have been implemented to ensure more accurate cash flow projections.

The collection of debtors influence the cash flow of the municipality and all the necessary steps are taken to increase debt recovery.

5.10 Cash Flow table:

Cash Flow Outcomes R'000				
	2016/17	2017/18		
	Audited Outcome	Original budget	Adjusted budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	290 452	299 404	299 625	304 268
Government grants and subsidies	109 696	87 484	116 457	84 660
Interest	19 616	5 720	5 703	19 909
Dividends				
Payments				
Suppliers and employees	-277 890	(336 275)	(360 179)	(306 646)
Finance charges	-17 723	(19 008)	(19 008)	(18 822)
Transfers and Grants		(977)	(977)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	124 151	36 348	41 622	83 370
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	1 301	2 500	2 500	539
Decrease (Increase) in non-current debtors	1	2	2	3
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
Payments				
Capital assets	-126 749	(74 455)	(90 682)	(62 158)
NET CASH FROM/(USED) INVESTING ACTIVITIES	-125 447	(71 953)	(88 180)	(61 617)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans				
Borrowing long term/refinancing	5 434	36 646		
Increase (decrease) in consumer deposits	748	196	196	1 956
Increase (decrease) in trust funds	105			111
Payments				
Repayment of borrowing			(15 631)	(15 739)
NET CASH FROM/(USED) FINANCING ACTIVITIES	6 287	36 842	(15 435)	(13 672)
NET INCREASE/ (DECREASE) IN CASH HELD	4 991	1 237	(61 993)	8 081
Cash/cash equivalents at the year begin:	206 785	120 493	211 779	211 779
Cash/cash equivalents at the yearend:	211 776	121 730	149 786	219 860
Source: MBRR SA7				

Table 177.: Cash flow



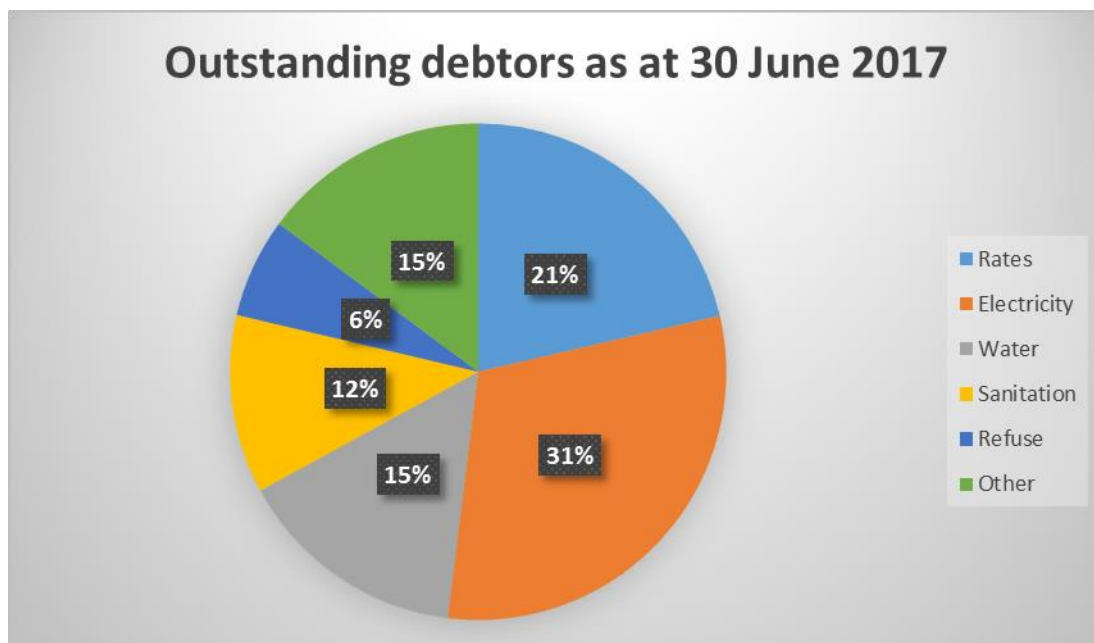
5.11 Gross Outstanding Debtors per Service

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R'000	R'000	R'000	R'000	R'000	R'000
2016/17	11 078	23 672	9 381		7 689	51 820
2017/18	11 464	25 169	9 705		14 403	60 741
Difference	-386	1 497	324	0	6 714	8 921
% growth year on year	-3.37%	5.95%	3.34%		46.62%	14.69%
<i>Note: figures exclude provision for bad debts and outstanding fines</i>						

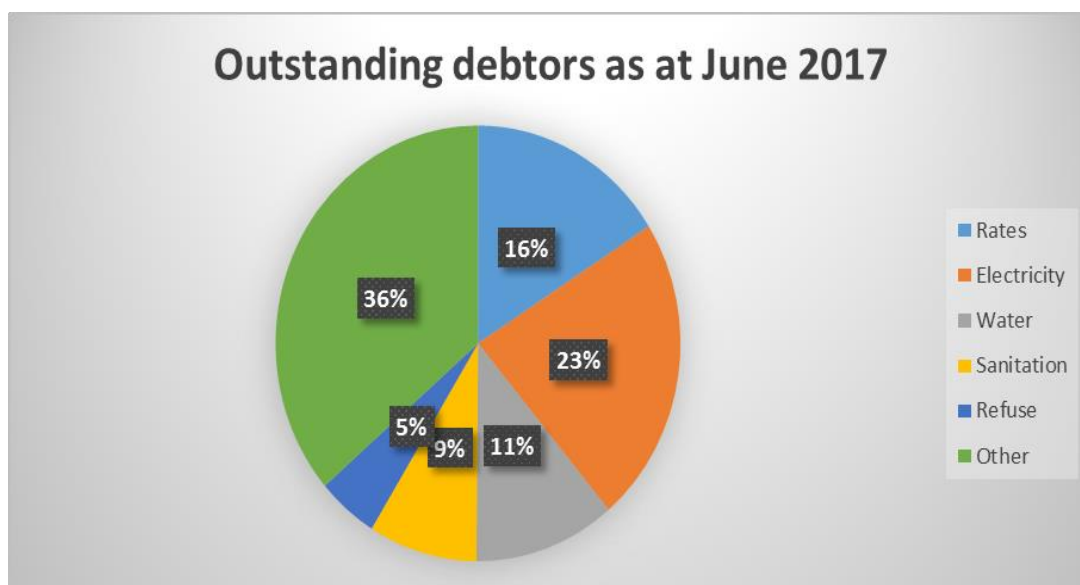
Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R'000	R'000	R'000	R'000	R'000	R'000
2016/17	11 078	23 672	9 381		25 191	69 321
2017/18	11 464	25 169	9 705		25 504	71 842
Difference	-386	1 497	324	0	313	2 521
% growth year on year	-3.37%	5.95%	3.34%		1.23%	3.51%
<i>Note: figures exclude provision for bad debts on rates and services and include the written down value on traffic fines</i>						

Table 178.: Gross outstanding debtors per service

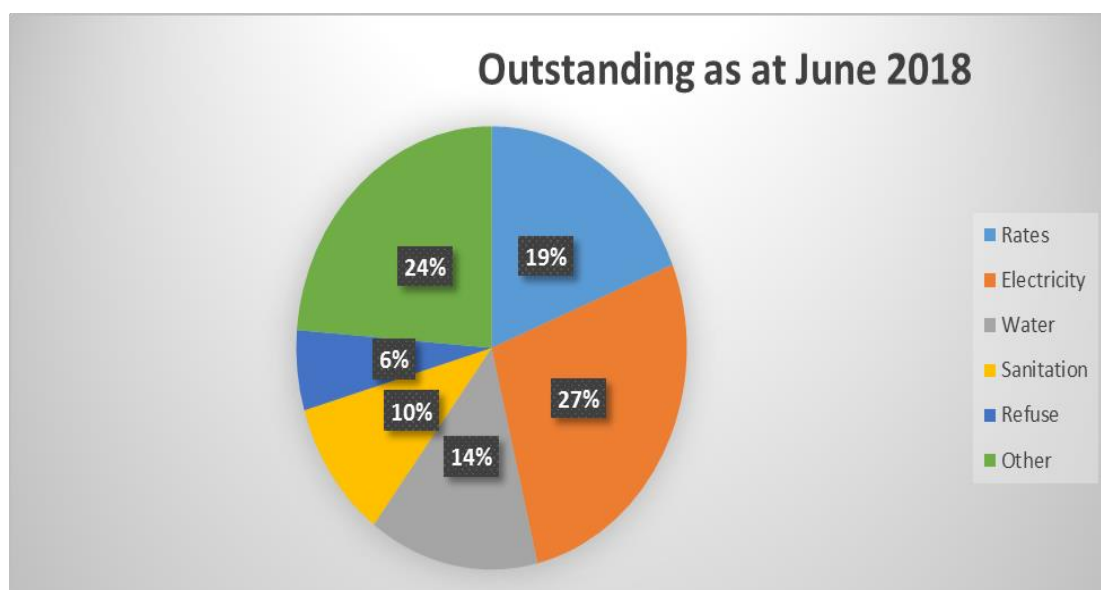
The following graphs indicate the total outstanding debt per type of service for 2016/17 and 2017/18 excluding and including fines



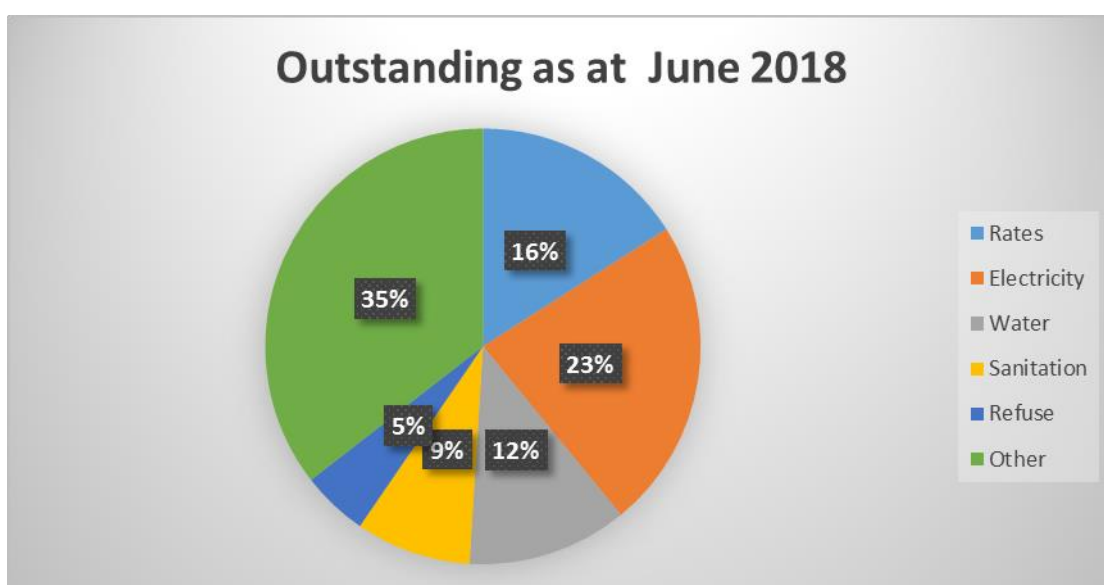
Excluding fines



Including Fines



Excluding fines



Including Fines

Figure 5.: Outstanding debtors for 2017/18 financial year.

5.12 Total Debtors Age Analysis

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2016/17	22 030	3 266	2 001	24 523	51 820
2017/18	25 124	4 382	1 906	29 329	60 741
Difference	-3 094	1 116	-95	4 806	8 921
% growth year on year	-12.31%	25.47%	-4.98%		14.69%
<i>Note: figures exclude provision for bad debts and outstanding fines-</i>					

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2016/17	22 030	3 266	2 001	42 025	69 321
2017/18	25 124	4 382	1 906	40 431	71 843
Difference	-3 094	1 116	-95	-1 594	2 522
% growth year on year	-12.31%	25.47%	-4.98%		3.51%
<i>Including fines</i>					

Table 179.: Service debtor age analysis

THERE IS A YEAR ON YEAR INCREASE IN OUTSTANDING DEBTORS; HOWEVER THE MUNICIPALITY MAINTAINED A COLLECTION RATE OF 97% WHICH IS WELL ABOVE THE NORM FOR MUNICIPALITIES.

5.13 Borrowing and Investments

5.13.1 Actual Borrowings

R'000		
Instrument	2016/17	2017/18
Long-Term Loans (annuity/reducing balance)	127 294	111 555
Total	127 294	111 555

Table 180.: Actual Borrowings

COMPONENT D: OTHER FINANCIAL MATTERS

5.14 Supply Chain Management

- The Municipality reviews the Supply Chain management Policy annually and complies with the legislative requirements.
- No councillors are members of any committee handling supply chain processes.
- Contract management and performance of suppliers are currently being done by SCM in conjunction with Managers.

5.15 GRAP Compliance

The municipality is GRAP compliant.

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Chapter 6:

Auditor-General Findings

CHAPTER 6

6.1 COMPONENT A: AUDITOR-GENERAL OPINION 2016/17

AUDITOR-GENERAL OPINION

Auditor-General Report on Performance Information 2016/17	
I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives: <ul style="list-style-type: none"> Strategic objective 2: maintenance and development of infrastructure Strategic objective 6: accountable local authority 	No findings
Auditor-General Report on Non-Compliance Issues 2016/17	
I did not raise material findings on compliance with the specific matters in key legislation as set out in the general notice issued in terms of the PAA.	No findings

Table 181.: AG Report on Performance information & Compliance 2016/17

Auditor-General Report on Financial Performance 2016/17	
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Hessequa Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).	Unqualified with no findings audit opinion (Clean Audit)

6.2 COMPONENT B: AUDITOR-GENERAL OPINION 2017/18

AUDITOR-GENERAL OPINION

Auditor-General Report on Performance Information 2017/18	
I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective. <ul style="list-style-type: none"> Strategic objective 2: Cost effective service delivery 	No findings
Auditor-General Report on Non-Compliance Issues 2017/18	
I did not raise any material findings on compliance with the specific matters in key legislation as set out in the general notice issued in terms of the PAA.	No findings

Table 182.: AG Report on Performance information & Compliance 2017/18

Auditor-General Report on Financial Performance 2017/18	
In my opinion, financial statements present fairly, in all material respects, the financial position of the Hessequa Municipality as at 30 June 2018, and its performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standard of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora)..	Unqualified with no findings audit opinion (Clean Audit)



6.3 COMPONENT C: AUDITOR-GENERAL REPORT 2017/18

**Please note that all page references within the Audit Report refers to the page numbers of the relevant report and not of the Annual Report.*

Report on the audit of the financial statements

Report of the auditor-general to Western Cape Provincial Government and the Council on Hessequa Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Hessequa Municipality set out on pages 4 to 86, which comprise the appropriation statement, the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, financial statements present fairly, in all material respects, the financial position of the Hessequa Municipality as at 30 June 2018, and its performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standard of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of financial statements section of this auditor's report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 47 to the financial statements, the corresponding figures for 30 June 2017 have been restated, as a result of errors identified during the 2017-18 financial year in the financial statements of the municipality at, and for the year ended, 30 June 2018. This was mainly due to the reclassification of expenditure in terms of “nature” to comply with SA Standard of GRAP 1, *presentation of financial statements* and the municipal standard chart of accounts (mSCOA).

Material losses/impairments

8. As disclosed in note 3 to the financial statements, the municipality has provided for the impairment of trade receivables from exchange transactions (consumer debtors) amounting to R16,3 million (40,5%) [2016-17: R17,6 million (45,8%)].
9. As disclosed in note 4 to the financial statements, the municipality has provided for the impairment of trade receivables from non-exchange transactions (mainly traffic fines) amounting to R65,7 million (70,7%) [2016-17: R63,3 million (70,8%)].
10. As disclosed in the statement of financial performance and note 30 to the financial statements, the municipality has written off receivables from exchange and non-exchange transactions amounting to R33,1 million during the year (2016-17: R23,8 million).

Underspending the capital budget

11. As disclosed in the appropriation statement, the municipality underspent its final approved capital budget by R28,4 million (31,3%). The reasons for the variances are set out in note 56 to the financial statements.

Other matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Unaudited supplementary schedules

14. The supplementary information set out on pages 86 to 96 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, the accounting officer is responsible for assessing the Hessequa Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

19. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
20. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as

defined in the general notice, for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2018:

Strategic objective	Pages in the annual performance report
Strategic objective 2 – cost-effective service delivery	53 – 57

22. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

Strategic objective 2 – cost-effective service delivery

23. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

Other matters

24. I draw attention to the matters below.

Achievement of planned targets

25. Refer to the annual performance report on pages 53 to 57 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

26. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of strategic objective 2 – cost-effective service delivery. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

28. I did not raise any material findings on compliance with specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

29. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in the auditor's report.
30. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
31. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
32. I have nothing to report in this regard.

Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
34. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town

30 November 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hessequa Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Annexures:

Annexure: A

Hessequa Annual Financial

Statements

Annexure: B

Audit and Performance Audit

Committee Report

Annexure: C

Oversight Report

HESSEQUA MUNICIPALITY



2017/2018

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HESSEQUA MUNICIPALITY

GENERAL INFORMATION

EXECUTIVE MAYOR
DEPUTY MAYOR
SPEAKER

Councillor G Riddels
Councillor Mr J Hartnick
Councillor A Stroebel

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson
Member
Member
Member
Member

Councillor G Riddels
Councillor Johannes Hartnick
Councillor M Jakobs
Councillor AM Joubert
Councillor B Smith

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

Corporate Services
Finance Portfolio
Community Services
Planning and Environmental Services
Technical Services Portfolio

Councillor B Smith
Councillor B Smith
Councillor M Jakobs
Councillor Johannes Hartnick
Councillor AM Joubert

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson
Member
Member
Member
Member

Prof PJ du Plessis
Mr KG Herbst
Ms S van Jaarsveld
Mr FH Zietsman
Ms A Hartnick

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson
Member
Member
Member
Member

Prof PJ du Plessis
Mr KG Herbst
Ms S van Jaarsveld
Mr FH Zietsman
Me A Hartnick

AUDITORS:

The Auditor General
Private Bag X1
CHEMPET
7742
Telephone 021-528 4100
Fax 021-528 4201

BANKERS:

FNB
c/o Robertson & Church street
RIVERSDALE
Telephone 082-713 2434

REGISTERED OFFICE:

Van den Berg Street
PO Box 29
RIVERSDALE
6670
Telephone 082 713 8000
Fax 086 401 5259

GENERAL INFORMATION - (continued)

MUNICIPAL MANAGER:

Mr. J. Jacobs

DIRECTOR: FINANCIAL SERVICES:

Ms. H.J. Viljoen

COUNCIL MEMBERS

I Mangaliso
AM Joubert
B Smith
CP Taute
T van den Berg
JL Hartnick
M Fielies
L Pieterse
S Odendaal
J Gelderbloem
Johannes Hartnick
G Riddles
A Stroebe
M Jakobs
T Pretorius
ME Dyamani
NA Joseph

POSITION

Councillor, Eden DM Rep
Councillor, Executive Mayoral Committee
Councillor, Executive Mayoral Committee
Councillor
Councillor
Councillor
Councillor
Councillor, Eden DM Rep
Councillor
Deputy Mayor
Executive Mayor
Speaker, Councillor
Councillor, Executive Mayoral Committee
Councillor
Councillor
Councillor

HESSEQUA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2018


I am responsible for the preparation of these annual financial statements, which are set out on pages 7 - 96, in terms of Section 126(1) of the Municipal Finance Management Act 56 of 2003, and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act and the Minister of Co-operative Governance and Traditional Affairs determination in accordance with this Act.

The annual financial statements have been prepared on the going concern basis and is hereby certified.



J. JACOBS
Municipal Manager

31 August 2018

Date

HESSEQUA LOCAL MUNICIPALITY

Statement from the Chief Financial Officer

1. Introduction

It is my pleasure to give a brief summary of the financial results of our Council for the financial year ended 30 June 2018.

The financial activities for the year, are reviewed in the various sections of this report.

Reclassified/
Restated

2. Key financial indicators

Ratio Description

Current ratio

The current ratio is used to measure to which extent the municipality's liquid assets are able to cover its short-term liabilities, also known as working capital. Working capital refers to the financial resources to support the day-to-day operations of the entity giving effect to Section 215 of the Constitution.

The higher the ratio is to 1, the more liquid and solvent the municipality is and able to comply with Section 65 of the MFMA.

2.83

2.52

Revenue Management

Actual income vs Budgeted income

99.18%

103.30%

Level of government grants to own income

25.68%

43.10%

The increase in ratio indicates that the government grants received increased relative to the municipality's own income.

Expenditure management

Actual expenditure vs Budgeted expenditure

92.80%

87.17%

Personnel costs to total expenditure

36.58%

35.88%

Interest paid as percentage of total expenditure

4.76%

4.77%

The general accepted norm in this regard is 15%. The relatively low ratio indicates the Municipalities ability to finance capital programmes, to some extent, from own sources. The borrowing, funds and reserves policy prescribes the rate not to exceed 5%.

Creditors to cash and investments

23.17%

25.50%

Asset management

Acquisition of PPE - Actual vs budgeted

	2018 Actual R	2018 Budget R	2018 Variance R	2018 Variance %
Land				
<u>Land & Buildings</u>	1 479 686	2 363 000	-883 314	-37.38
	1 479 686	2 363 000	-883 314	-37.38
Infrastructure				
<u>Sewerage</u>	15 597 250	19 393 346	-3 796 096	-19.57
<u>Water</u>	10 612 293	25 486 708	-14 874 415	-58.36
<u>Electricity</u>	8 574 302	8 975 533	-401 231	-4.47
<u>Solid Waste</u>	44 234	50 000	-5 766	-11.53
<u>Roads and Stormwater</u>	9 525 011	15 244 000	-5 718 989	-37.52
<u>Information And Communication Infrastructure</u>	850 318	945 200	-94 882	-10.04
	45 203 408	70 094 787	-24 891 379	-141

Statement from the Chief Financial Officer -(continued)

Intangible Assets				
Computer Software And Applications	0	242 000	-242 000	-100.00
	0	242 000	-242 000	-100
Community Assets				
Public Conveniences	527 252	600 000	-72 748	-12.12
Sportfields	353 213	448 600	-95 387	-21.26
Cemeteries	595 300	710 400	-115 100	-16.20
Other	2 685 796	3 549 143	-863 347	-24.33
	4 161 561	5 308 143	-1 146 582	-21.60
Other Assets				
Plant & Equipment	1 877 916	2 317 050	-439 134	-18.95
Motor Vehicles	7 545 793	8 074 200	-528 407	-6.54
Other	2 023 415	2 282 617	-259 202	-11.36
	11 447 124	12 673 867	-1 226 743	-9.68
Total	62 291 779	90 681 797	-28 390 018	-31.31

Budget Spent 68.69%

Consumer debtors collection period

(Gross exchange debtors/service charges x 365)

The higher the ratio in the days the more likelihood that some debt could be irrecoverable.

Collection rate - (year levies less receipts)

Debt management

Total liabilities/Total assets

The ratio decreased by 3% which indicates an increase in the level of solvency since total assets increased relatively to total liabilities.

Long term debt to Total operating revenue (Excl grants and transfers)

(The borrowing, funds and reserves policy prescribes the rate not to exceed 35%.)

Percentage of Total annual repayment of long term debt to operating expenditure

(The borrowing, funds and reserves policy prescribes the rate not to exceed 10%.)

Trade creditors payment period

This indicates a decrease of 4 days relative to the prior year in creditors' payments.

	2017/18	2016/17
73.04 days	74.17 days	
96.94%	97.51%	
28.77%	31.36%	
30.71%	34.55%	
4.40%	4.23%	
69.04 days	73.93 days	

3. Operating Results

The overall summarised operating results for the municipality in comparison to the approved budget is shown below. The Statement of Financial Performance reflects a summary of income and expenditure, whilst the segmental operating results per service is shown in Appendix D of the annual financial statements.

	2017/18		2016/17	
	Actual	Budget	Actual	Growth
Revenue				
Agency services	2 218 473	1 950 411	1 986 815	11.66%
Fines	38 417 424	41 208 474	66 507 156	-42.24%
Gains on disposal of PPE	101 615	2 500 000	979 124	100.00%
Donated PPE	141 699	133 700	900 000	-84.26%
Interest Earned - External investments	17 958 842	4 828 000	18 093 727	-0.75%
Interest Earned - Outstanding debtors	1 950 423	1 392 917	1 522 180	28.13%
Licenses and permits	1 420 287	1 396 986	1 318 799	7.70%
Property rates	78 148 577	76 330 839	70 987 819	10.09%
Rental of facilities and equipment	2 607 264	1 821 048	2 028 046	28.56%
Services Charges	201 488 590	197 276 277	188 958 244	6.63%
Transfers Recognised	93 230 593	117 007 380	158 411 863	-41.15%
Gain on revaluation of Investment Property	453 509	-	2 704 941	-100.00%
Other revenue	18 898 201	14 985 413	16 133 732	17.13%
	457 035 497	460 831 445	530 532 446	-13.85%

Statement from the Chief Financial Officer -(continued)

	2017/18		2016/17	Growth
	Actual	Budget	Actual	
Expenses				
Bulk purchases	89 362 014	87 369 323	87 869 756	1.70%
Contracted services	32 192 657	46 521 327	38 735 468	-16.89%
Debt impairment	33 065 220	35 484 740	47 471 141	-30.35%
Depreciation and impairment	30 044 169	35 734 618	25 594 136	17.39%
Employee related cost	152 567 856	153 303 267	127 791 235	19.39%
Remuneration of councillors	7 202 030	7 269 038	6 483 887	11.08%
Finance charges	18 822 055	19 007 575	17 722 545	6.20%
Inventory consumed	19 235 516	23 558 680	19 124 001	0.58%
Transfers and subsidies	1 054 802	1 106 680	865 317	21.90%
Other expenditure	21 026 642	26 606 620	19 069 853	10.26%
	404 572 962	435 961 868	390 727 338	3.54%
Net operating Surplus	52 462 535	24 869 577	139 805 108	

3.1 Operating revenue

The major revenue streams that supported the programmes and activities of the municipality were:

- property rates
- services charges, consisting of the following:
 - ~ electricity sales
 - ~ water sales
 - ~ waste water management
 - ~ solid waste management
- government grants and subsidies
- other

Details of the main categories of income are as follows:

	2017/18	2016/17
Service Charges	44.14%	35.87%
Property rates	17.12%	13.47%
Grants and subsidies	20.42%	30.07%
Other	18.32%	20.59%
	100.00%	100.00%

3.2 Operating expenditure

Details of the main categories of expenditure for the year under review is provided below:

	2017/18	2016/17
Bulk purchases	22.58%	23.64%
Employee related cost/Council Remuneration	38.40%	37.62%
Depreciation and impairment	7.59%	6.88%
Finance cost	4.76%	4.77%
Other	26.67%	27.09%
	100.00%	100.00%

4. Debtors

Total outstanding net debtors increased by R4 223 939 to a balance of R51 214 855 at 30 June 2018. Income from traffic fines decreased to R38 417 424 and outstanding traffic receivables increased to R78 541 216 at 30 June 2018. A provision for impairment of traffic fines of R61 421 068 was made at year end.

5. Borrowings, Investments and Cash

Interest bearing debt decreased to R111 554 932 in the financial year ended 30 June 2018. Cash and cash equivalents increased by R8 081 209 to close the year at R220 million.

6. Expression of appreciation

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, without whose assistance these Annual Financial Statements would not have been possible.

H.J. VILJOEN
CHIEF FINANCIAL OFFICER
31 August 2018

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Note	2018	2017
		R	Restated R
ASSETS			
Current Assets		276 030 423	264 212 286
Inventory	2	2 810 521	3 185 607
Trade receivables from exchange transactions	3	23 983 095	20 823 537
Trade receivables from non-exchange transactions	4	27 231 760	26 167 379
VAT Receivable	5	1 689 073	1 861 914
Bank, Cash and Cash Equivalents	6	219 860 299	211 779 090
Operating Lease Assets	7	452 826	392 126
Current Portion of Long-term Receivables	12	2 849	2 634
Non-Current Assets		854 072 765	832 134 684
Property, Plant and Equipment	8	774 214 448	752 484 382
Intangible Assets	9	298 911	320 455
Investment Property	10	71 227 509	70 995 100
Heritage Assets	11	8 321 875	8 321 875
Long-term Receivables	12	10 022	12 871
Total Assets		1 130 103 187	1 096 346 970
LIABILITIES			
Current Liabilities		97 482 387	105 044 801
Consumer Deposits	13	8 399 605	6 443 626
Provisions	14	7 903 047	7 474 064
Creditors	15	50 942 955	54 008 420
Unspent Conditional Grants and Receipts	16	12 680 337	21 250 876
Operating Lease Liabilities	17	135 495	130 220
Current Portion of Long-term Liabilities	18	17 420 948	15 737 596
Non-Current Liabilities		227 632 366	238 776 270
Long-term Liabilities	18	94 133 984	111 556 514
Retirement Benefit Liabilities	19	51 622 000	42 116 910
Non-current Provisions	20	79 843 805	83 181 499
Trust Fund	49	2 032 577	1 921 347
Total Liabilities		325 114 754	343 821 072
Total Assets and Liabilities		804 988 434	752 525 898
NET ASSETS		804 988 434	752 525 898
Statutory Funds	21	245 695	245 694
Accumulated Surplus	22	804 742 739	752 280 204
Total Net Assets		804 988 434	752 525 898

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2018

Revenue	Note	2018 R Actual	2017 R Restated	2017 R Reclassification	2017 R Previously reported
Revenue from non-exchange transactions		213 577 053	300 112 452	(2 704 942)	302 817 393
Property Rates	23	78 148 577	70 987 819	-	70 987 819
Fines		38 417 424	66 507 156	-	66 507 156
Licences and permits		1 420 287	1 318 799	-	1 318 799
Income from Agency Services		2 218 473	1 986 815	-	1 986 815
Donated Property, Plant and Equipment		141 699	900 000	-	900 000
Transfers recognised - Operational	25 + 26	60 345 573	62 641 179	(95 770 685)	158 411 863
Transfers recognised - Capital	25 + 26	32 885 020	95 770 684	95 770 684	
Gain on revaluation of Investment Property		-	-	(2 704 941)	2 704 941
Revenue from exchange transactions		242 903 319	226 735 929	(1 301 440)	228 037 368
Service Charges	24	201 488 590	188 958 244	-	188 958 244
Rental of facilities and equipment		2 607 264	2 028 046	(11 135 726)	13 163 772
Interest earned - external investments		17 958 842	18 093 727	-	18 093 727
Interest earned - outstanding receivables		1 950 423	1 522 180	-	1 522 180
Other income	27	18 898 200	16 133 731	11 135 726	4 998 006
Gains on disposal of property, plant and equipment		-	-	(1 301 440)	1 301 440
Total Revenue		456 480 372.30	526 848 381	(4 006 381)	530 854 761

Expenditure					
Employee related costs	28	144 786 954	133 378 401	6 343 670	127 034 731
Remuneration of Councillors	29	7 202 030	6 483 887	-	6 483 887
Bad debts written off	30	33 065 220	23 846 153	(23 624 988)	47 471 141
Collection costs		-	-	(2 260 932)	2 260 932
Depreciation and Amortisation	31	30 044 169	25 594 136	(977 079)	26 571 215
Repairs and maintenance	32	-	-	(16 265 256)	16 265 256
Finance Charges	33	18 822 055	17 722 545	-	17 722 545
Bulk purchases	34	89 362 014	87 869 756	(5 807 699)	93 677 455
Loss on disposal of property, plant and equipment		-	-	(322 316)	322 316
Inventory Consumed	58	19 235 516	19 124 001	19 124 001	-
Transfers and Subsidies		1 054 802	865 317	865 317	-
Contracted services	57	32 192 657	38 735 468	31 587 130	7 148 338
General expenses	35	20 018 955	18 123 813	(28 945 104)	47 068 917
Total Expenditure		395 784 374	371 743 478	(20 283 255)	392 026 733

Operating Surplus/(Deficit) for the Year		60 695 999	155 104 903	16 276 873	138 828 029
Actuarial Gains/(Losses)		(6 500 230)	5 587 166	5 587 166	-
Inventories: (write-down)/Reversal of write-down to Net Realisable value		(121 430)	-	-	-
Gains/(Loss) on Sale of Fixed Assets		101 615	979 124	979 124	-
(Impairment Loss) on receivables	30	(1 280 671)	(23 624 988)	(23 624 988)	-
Water losses	52	(886 257)	(946 038)	(946 038)	-
Profit on Fair Value Adjustments	10	453 509	2 704 941	2 704 941	-
NET SURPLUS FOR THE YEAR		52 462 535	139 805 108	977 078	138 828 029

Refer to note 47 for details regarding restatements/reclassifications

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

30 JUNE 2018

	Note	Housing Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance 1 July 2016		245 694	-	597 725 869	597 971 563
Correction of prior year error	47			14 749 227	14 749 227
Restated balance 1 July 2017		245 694	-	612 475 096	612 720 790
Surplus for the year - restated	47			139 805 108	139 805 108
Transfer from Housing Reserve		-		-	-
Restated balance at 30 JUNE 2017		245 694	-	752 280 204	752 525 898
Surplus for the year				52 462 535	52 462 535
Balance at 30 JUNE 2018		245 693	-	804 742 739	804 988 433

HESSEQUA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017		
		R	R	R	R
		Actual	Reclassified	Reclassification of expenditure/ revenue	Previously reported
Cash Flow from Operating Activities		388 928 543	400 148 190	-	400 148 190
Receipts					
Property rates		76 164 766	70 186 743	(284 734)	70 471 477
Fines		8 741 648	12 586 940	(20 439 204)	33 026 143
Government grants and subsidies		84 660 054	109 695 754	-	109 695 753
Service Charges		194 872 289	186 481 652	20 723 938	165 757 715
Income from agency services		2 218 473	1 986 815	-	1 986 815
Rental of facilities and equipment		2 607 264	2 028 046	(11 135 726)	13 163 772
Licences and permits		1 420 287	1 318 799	-	1 318 799
Other receipts		18 243 762	15 863 441	11 135 725	4 727 716
Payments		(306 645 673)	(283 683 452)	(1 282 293)	(282 401 159)
Employee related cost		(140 378 912)	(127 491 334)	(756 504)	(126 734 830)
Remuneration of councillors		(7 202 030)	(6 483 887)	-	(6 483 887)
Transfers and Subsidies		(1 054 802)	(865 317)	(865 317)	-
Suppliers paid		(138 943 235)	(126 879 943)	(26 540 370)	(100 339 572)
Other payments		(19 066 694)	(21 962 971)	26 879 898	(48 842 869)
Cash generated from operations	37	82 282 871	116 464 738	(1 282 293)	117 747 031
Interest received		19 909 265	19 615 907		19 615 907
Interest paid	33	(18 822 055)	(17 722 545)		(17 722 545)
Net Cash from Operating Activities		83 370 081	118 358 100	(1 282 293)	119 640 393
Cash flows from Investing Activities					
Purchase of property, plant and equipment	8	(62 158 081)	(122 237 935)	-	(122 237 935)
Sale of property, plant and equipment		538 544	1 301 440	-	1 301 440
Increase in non-current receivables		2 633	3 326	-	3 326
Net Cash flows from Investing Activities		(61 616 904)	(120 933 169)	-	(120 933 169)
Cash flows from Financing Activities					
New loans raised/(repaid)		(15 739 178)	5 433 889	0	5 433 889
(Decrease)/increase in consumer deposits		1 955 979	2 029 981	1 282 293	747 688
Increase in Trust Funds		111 231	105 192	-	105 192
Net Cash from Financing Activities		(13 671 969)	7 569 062	1 282 293	6 286 769
Net Increase in Cash and Cash Equivalents		8 081 209	4 993 993	(0)	4 993 993
Cash and cash equivalents at the beginning of the year		211 779 090	206 785 097		206 785 097
Cash and cash equivalents at the end of the year	36	219 860 299	211 779 090		211 779 090

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2018

Statement of Financial Performance

Figures in Rand

Revenue	Approved budget - (Febr 2018)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions	238 007 790	20 000	238 027 790	213 577 053	-24 450 737	Note 56
Property Rates	76 330 839	-	76 330 839	78 148 577	1 817 738	
Fines	41 333 974	(125 500)	41 208 474	38 417 424	(2 791 050)	Rev 1
Licences and permits	1 396 986	-	1 396 986	1 420 287	23 301	
Income from agency services	1 950 411	-	1 950 411	2 218 473	268 062	Rev 2
Donated Property, Plant and Equipment	8 200	125 500	133 700	141 699	7 999	
Transfers Recognised - Operational	71 282 018	20 000	71 302 018	60 345 573	(10 956 445)	Rev 3
Transfers Recognised - Capital	45 705 362	-	45 705 362	32 885 020	(12 820 342)	Rev 4
Revenue from exchange transactions	222 803 655	-	222 803 655	243 458 444	20 654 789	
Service Charges	197 276 277	-	197 276 277	201 488 590	4 212 313	
Rental of facilities and equipment	1 821 048	-	1 821 048	2 607 264	786 216	Rev 5
Interest earned - external investments	4 828 000	-	4 828 000	17 958 842	13 130 842	Rev 6
Interest earned - outstanding receivables	1 392 917	-	1 392 917	1 950 423	557 506	Rev 7
Other Revenue	14 985 413	-	14 985 413	18 898 200	3 912 787	Rev 8
Gains/(Loss) on Sale of Fixed Assets	2 500 000	-	2 500 000	555 125	(1 944 875)	Rev 9
Total Revenue	460 811 445	20 000	460 831 445	457 035 497	(3 795 948)	
Expenditure						
Employee related costs	153 303 267	-	153 303 267	151 287 185	(2 016 082)	
Remuneration of Councillors	7 269 038	-	7 269 038	7 202 030	(67 008)	
Bad debts	35 484 740	-	35 484 740	34 345 891	(1 138 849)	
Depreciation and Asset Impairment	35 734 618	-	35 734 618	30 044 169	(5 690 449)	Exp 1
Repairs and maintenance	-	-	-	-	-	
Inventory Consumed	17 208 360	6 350 320	23 558 680	20 243 203	(3 315 477)	Exp 2
Finance Charges	19 007 575	-	19 007 575	18 822 055	(185 520)	
Bulk purchases	94 369 323	(7 000 000)	87 369 323	89 362 014	1 992 691	
Transfers and Subsidies	1 062 680	44 000	1 106 680	1 054 802	(51 878)	
Contracted services	45 870 690	650 637	46 521 327	32 192 657	(14 328 670)	Exp 3
General expenses	26 631 577	(24 957)	26 606 620	20 018 955	(6 587 665)	Exp 4
Total Expenditure	435 941 868	20 000	435 961 868	404 572 962	(31 388 906)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	24 869 577	-	24 869 577	52 462 535	27 592 958	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2018

Statement of Financial Position	Approved budget - (April 2018)	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
ASSETS						<u>Note 56</u>
Current Assets	172 472 116	28 386 472	200 858 588	276 030 423	75 171 835	
Inventory	3 135 239	0	3 135 239	2 810 521	-324 718	Fp1
Trade receivables from exchange transactions	26 813 499	329 822	27 143 321	23 983 095	-3 160 226	
Trade receivables from non-exchange transactions	20 790 389	0	20 790 389	27 231 760	6 441 371	
VAT Receivable	0	0	0	1 689 073	1 689 073	
Bank, Cash and Cash Equivalents	121 729 988	28 056 650	149 786 638	219 860 299	70 073 661	Fp2
Operating Lease Assets	0	0	0	452 826	452 826	
Current Portion of Long-term Receivables	3 001	0	3 001	2 849	-152	
Non-Current Assets	866 722 055	23 912 665	890 634 720	854 072 765	-36 561 955	
Property, Plant and Equipment	815 012 000	-4 268 310	810 743 690	774 214 448	-36 529 242	
Intangible assets	320 455	242 000	562 455	298 911	-263 544	
Investment Property	51 377 600	19 617 100	70 994 700	71 227 509	232 809	
Heritage Assets	0	8 321 875	8 321 875	8 321 875	0	
Long-term Receivables	12 000	0	12 000	10 022	-1 978	
Total Assets	1 039 194 171	52 299 137	1 091 493 308	1 130 103 187	38 609 879	
LIABILITIES						
Current Liabilities	89 387 215	1 380 000	90 767 215	97 482 387	6 715 172	
Consumer Deposits	4 625 000	506 000	5 131 000	8 399 605	3 268 605	Fp3
Provisions	7 181 008	874 000	8 055 008	7 903 047	-151 961	
Creditors	61 950 132	0	61 950 132	50 942 955	-11 007 177	Fp4
Unspent Conditional Grants and Receipts	0	0	0	12 680 337	12 680 337	Fp5
Operating Lease Liabilities	0	0	0	135 495	135 495	
Current Portion of Long-term Liabilities	15 631 075	0	15 631 075	17 420 948	1 789 873	Fp6
Non-Current Liabilities	288 490 460	-20 299 000	268 191 460	227 632 366	-40 559 094	
Long-term Liabilities	148 593 039	-15 737 000	132 856 039	94 133 984	-38 722 055	Fp7
Retirement Benefit Liabilities	54 673 000	-4 562 000	50 111 000	51 622 000	1 511 000	
Non-current Provisions	83 303 074	0	83 303 074	79 843 805	-3 459 269	
Trust Fund	1 921 347	0	1 921 347	2 032 577	111 230	
Total Liabilities	377 877 675	-18 919 000	358 958 675	325 114 754	-33 843 921	
Total Assets and Liabilities	661 316 496	71 218 137	732 534 633	804 988 434	72 453 801	
NET ASSETS	661 316 496	71 218 137	732 534 633	804 988 433	72 453 800	
Statutory Funds	246 275	0	246 275	245 694	-581	
Accumulated Surplus	661 070 221	71 218 137	732 288 358	804 742 739	72 454 381	Fp8
Total Net Assets	661 316 496	71 218 137	732 534 633	804 988 433	72 453 800	

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AT 30 JUNE 2018

Cash Flow from Operating Activities	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						<u>Note 56</u>
Receipts						
Property rates	75 293 906	-	75 293 906	76 164 766	870 860	
Service charges	193 330 753	-	193 330 753	194 872 289	1 541 536	
Other revenue	30 778 844	221 937	31 000 781	33 231 434	2 230 653	Cf1
Government grants and subsidies	87 483 750	28 973 326	116 457 076	84 660 054	(31 797 022)	Cf2
Payments						
Suppliers and employees	(336 274 824)	(23 904 350)	(360 179 174)	(305 590 870)	54 588 304	Cf3
Transfers and grants	(976 830)	-	(976 830)	(1 054 802)	(77 972)	
Cash generated from operations	49 635 599	5 290 913	54 926 512	82 282 871	27 356 359	
Interest received	5 720 060	(16 685)	5 703 375	19 909 265	14 205 890	Cf4
Interest paid	(19 007 575)	-	(19 007 575)	(18 822 055)	185 520	
Net Cash from Operating Activities	36 348 084	5 274 228	41 622 312	83 370 081	41 747 769	
Cash flows from Investing Activities						
Purchase of property, plant and equipment	(74 455 483)	(16 226 690)	(90 682 173)	(62 158 081)	28 524 092	Cf5
Sale of property, plant and equipment	2 500 000	-	2 500 000	538 544	(1 961 456)	Cf6
(Increase)/decrease in non-current receivables	2 000	-	2 000	2 633	633	
Net Cash flows from Investing Activities	(71 953 483)	(16 226 690)	(88 180 173)	(61 616 904)	26 563 269	
Cash flows from Financing Activities						
New loans raised/(repaid)	36 646 388	(52 277 463)	(15 631 075)	(15 739 178)	(108 103)	
(Decrease)/increase in consumer deposits	196 000	-	196 000	1 955 979	1 759 979	Cf7
Increase in Trust Funds	-	-	-	111 231	111 231	
Net Cash from Financing Activities	36 842 388	(52 277 463)	(15 435 075)	(13 671 969)	1 763 106	
Net Increase / (decrease) in Cash and Cash Equivalents	1 236 989	(63 229 925)	(61 992 936)	8 081 209	70 074 145	
Cash and cash equivalents at the beginning of the year	120 493 000	91 286 090	211 779 090	211 779 090	(0)	
Cash and cash equivalents at the end of the year	121 729 989	28 056 165	149 786 154	219 860 299	70 074 145	Cf8

HESSEQUA LOCAL MUNICIPALITY
APPROPRIATION STATEMENT AT 30 JUNE 2018

Statement of Financial Performance

Figures in Rand

Revenue	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Virement (not i.t.o. council approved policy)	Final Budget	Actual Outcome	% Variances on final budget	% Variances on original budget
Revenue from non-exchange transactions	208 495 510	29 512 280	238 007 790	-	(20 000)	238 027 790	213 577 053		
Property Rates	76 330 839	-	76 330 839	-	-	76 330 839	78 148 577	2.38	2.38
Fines	41 333 974	-	41 333 974	-	125 500	41 208 474	38 417 424	(6.77)	(7.06)
Licences and permits	1 396 986	-	1 396 986	-	-	1 396 986	1 420 287	1.67	1.67
Income from agency services	1 950 411	-	1 950 411	-	-	1 950 411	2 218 473	13.74	13.74
Donated Property, Plant and Equipment	-	8 200	8 200	-	(125 500)	133 700	141 699	100.00	100.00
Transfers Recognised - Operational	71 566 750	(284 732)	71 282 018	-	(20 000)	71 302 018	60 345 573	(15.37)	(15.68)
Transfers Recognised - Capital	15 916 550	29 788 812	45 705 362	-	-	45 705 362	32 885 020	(28.05)	106.61
Revenue from exchange transactions	222 598 403	205 252	222 803 655	-	-	222 803 655	243 458 444		
Service Charges	197 276 277	-	197 276 277	-	-	197 276 277	201 488 590	2.14	2.14
Rental of facilities and equipment	1 821 048	-	1 821 048	-	-	1 821 048	2 607 264	43.17	43.17
Interest earned - external investments	4 828 000	-	4 828 000	-	-	4 828 000	17 958 842	271.97	271.97
Interest earned - outstanding receivables	1 392 917	-	1 392 917	-	-	1 392 917	1 950 423	40.02	40.02
Other Revenue	14 780 161	205 252	14 985 413	-	-	14 985 413	18 898 200	26.11	27.86
Gains/(Loss) on Sale of Fixed Assets	2 500 000	-	2 500 000	-	-	2 500 000	555 125	(77.80)	(77.80)
Total Revenue	431 093 913	29 717 532	460 811 445	-	(20 000)	460 831 445	457 035 497	(0.82)	6.02
Expenditure									
Employee related costs	151 963 395	1 339 872	153 303 267	-	-	153 303 267	151 287 185	(1.32)	(0.44)
Remuneration of Councillors	7 269 038	-	7 269 038	-	-	7 269 038	7 202 030	(0.92)	(0.92)
Bad debts	35 484 740	-	35 484 740	-	-	35 484 740	34 345 891	(3.21)	(3.21)
Depreciation and Asset Impairment	35 734 618	-	35 734 618	-	-	35 734 618	30 044 169	(15.92)	(15.92)
Finance Charges	19 007 575	-	19 007 575	-	-	19 007 575	18 822 055	(0.98)	(0.98)
Bulk purchases	87 082 323	7 287 000	94 369 323	(7 000 000)	-	87 369 323	89 362 014	2.28	2.62
Inventory Consumed	25 196 416	(7 988 056)	17 208 360	6 600 320	(250 000)	23 558 680	20 243 203	(14.07)	(19.66)
Transfers and Subsidies	976 830	85 850	1 062 680	4 000	40 000	1 106 680	1 054 802	(4.69)	7.98
Contracted services	46 401 287	(530 597)	45 870 690	850 531	(199 894)	46 521 327	32 192 657	(30.80)	(30.62)
General expenses	26 283 822	347 755	26 631 577	(24 957)	-	26 606 620	20 018 955	(24.76)	(23.84)
Total Expenditure	435 400 044	541 824	435 941 868	429 894	(409 894)	435 961 868	404 572 962	(7.20)	(7.08)
Operating Surplus/(Deficit) for the Year	(4 306 131)	29 175 708	24 869 577	429 894	(429 894)	24 869 577	52 462 535	110.95	(1 318.32)

HESSEQUA LOCAL MUNICIPALITY
APPROPRIATION STATEMENT AT 30 JUNE 2018

Capital Budget

Figures in Rand

GFS classification	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. council approved policy)	Virement (not i.t.o. council approved policy)	Final Budget	Actual Outcome	% Variances on final budget	% Variances on original budget	Reference
Finance And Administration	4 876 530	-142 900	4 733 630	-	-	4 733 630	3 284 694	-30.61	-32.64	Cap1
Community And Social Services	2 153 300	-259 583	1 893 717	-	-	1 893 717	1 623 230	-14.28	-24.62	Cap2
Other	12 500	(3 400)	9 100	-	-	9 100	8 280	-9.02	-33.76	
Energy Sources	11 177 950	(1 549 667)	9 628 283	-	-	9 628 283	9 128 325	-5.19	-18.34	
Executive And Council	308 620	-223 800	84 820	-	-	84 820	67 236	-20.73	-78.21	
Planning And Development	63 100	(5 600)	57 500	-	-	57 500	54 330	-5.51	-13.90	
Housing	0	8 000	8 000	-	-	8 000	0	-100.00		
Public Safety	1 121 500	1 224 000	2 345 500	-	-	2 345 500	1 807 582	-22.93	61.18	Cap3
Road Transport	11 489 900	7 140 050	18 629 950	-	125 500	18 629 950	12 643 281	-32.13	10.04	Cap4
Sport And Recreation	5 622 143	-97 500	5 524 643	-	-	5 524 643	4 695 806	-15.00	-16.48	Cap5
Waste Management	1 805 000	-413 500	1 391 500	-	(125 500)	1 391 500	1 373 469	-1.30	-23.91	
Waste Water Management	23 298 414	-3 443 868	19 854 546	-	-	19 854 546	15 988 232	-19.47	-31.38	Cap6
Water Management	16 445 236	10 075 372	26 520 608	-	-	26 520 608	11 617 314	-56.20	-29.36	Cap7
Total	78 374 193	12 307 604	90 681 797	-	-	90 681 797	62 291 779	(31.31)	(20.52)	

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HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and is in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2017 and 30 June 2018 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only in the following instances, where it:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flows.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 13.2 on *Revenue from Exchange Transactions* and Accounting Policy 13.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: *Revenue from Non-Exchange Transactions*. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018****1. BASIS OF PRESENTATION (continued)****1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)****1. 2. 2 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on *Financial Assets Classification* and Accounting Policy 9.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy 9.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

- Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3, 4 and 12 to the Annual Financial Statements.

1. 2. 4 Fair Value Estimations

As described in Accounting Policy 6.2, the municipality subsequently measures its Investment Property in terms of the Fair Value Model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the current valuations, and more specifically as follows:

- Investment Property is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

1. 2. 5 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The assessment and considerations of useful lives are set out in Accounting policy 8, Estimation of Useful Lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 6 Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventories

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment*, Accounting Policy 11.2 on *Inventory - Subsequent measurement and Accounting policy 4.3 on Heritage assets - Subsequent Measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

1. BASIS OF PRESENTATION (continued)

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management.

1. 2. 7 Defined Benefit Plan Liabilities

As described in Accounting Policy 16, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations, and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 19 and 20 of the Annual Financial Statements.

1. 2. 8 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 14, 20 and 53 respectively. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

1. 2. 9 Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs has been determined, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 12 of the accounting policy notes to the Annual Financial Statements.

1. 2. 10 Budget information

Municipalities are typically subject to budgetary limits in the form of budget authorisations, which is given effect through authorising legislation, appropriation or similar. General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01/07/2017 to 30/06/2018.

The financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences above 5% are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency. No foreign exchange transactions are included in the statements.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been adopted earlier by the municipality:

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

1. BASIS OF PRESENTATION (continued)

Reference	Topic	Effective date
GRAP 20	<p>Related party disclosures (Revised)</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality adopted some of the disclosure requirements of GRAP 20. The information is included in the financial statements.</p>	1 April 2019
GRAP 32	<p>Service Concession Arrangement Grantor - issued December 2009</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2019
GRAP 108	<p>Statutory Receivables - issued December 2009</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	1 April 2019
GRAP 109	<p>Accounting by Principals and Agents</p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
GRAP 110	<p>Living and Non-Living Resources</p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
IGRAP 17	<p>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of the International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, a municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued, but not yet effective, and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the Municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

2. 2 Trust Funds

The following trust funds exist in the municipality:

2. 2. 1 Development Fund for the Maintenance and Operation of Nature Areas in Still Bay

This fund was established in terms of section 76.2 of the Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

2. 2. 2 Elsje Koorts Tuberculosis Fund

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that "the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale..."

Subsequent interest earned on the invested funds are accounted for using the accrual basis and are added to the carrying amount of trust funds. The accrued interest is utilised as per the trust funds conditions as set out above.

These funds are invested in a ring fenced investment account.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3. 2 Subsequent Cost and Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently, property plant and equipment, including Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset, and that have different useful lives are depreciated separately. The depreciation charge is recognised in the Statement of Financial Performance.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The depreciation rates are based on the following estimated useful lives:

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Years		Years
Infrastructure		Buildings	5 - 50
Roads and Paving	10 - 100		
Electricity	8 - 57	Other	
Water	8 - 100	Emergency equipment	2 - 30
Sewerage	7 - 100	Plant and equipment	1 - 20
Landfill Sites	10 - 36	Motor vehicles	4 - 23
		Office equipment	1 - 23
Community		Security equipment	5
Recreational Facilities	6 - 147		

The municipality reviews the estimates of the useful lives in accordance with Accounting Policy 8, Estimation of Useful Lives.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

3. 4 Work in Progress

Work in Progress is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property, Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds and is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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4. Heritage Assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding their estimated useful lives. The municipality assesses at each reporting date if there is an indication of impairment.

4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently, all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Heritage assets are tested annually for impairment. Where items of heritage assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds, and is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over finite intangible assets' useful lives, which are estimated to be 30 years. The residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. For example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise.

Intangible assets are tested annually for impairment, including intangible assets not yet available for use. Intangible assets with an indefinite useful life are tested for impairment whenever there are indications of impairment. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

The municipality reviews the estimates of the useful lives in accordance with Accounting Policy 8, Estimation of Useful Lives.

Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of, or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposal proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease in the capacity as lessee and where it is being sublet) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria has been applied to distinguish investment properties from owner occupied property or property held for resale:

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Assets Classified as Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (inter alia) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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6. INVESTMENT PROPERTY (continued)

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an Investment Property (other than Investment Property under construction) is not determinable on a continuing basis, the municipality measures that Investment Property using the cost model (as per the Accounting Policy for Property, Plant and Equipment).

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Any impairment loss of a revalued asset reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

7. 2. *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach;
- Service units approach.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over the estimated useful lives.

The useful life of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality, or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful life of an asset has changed. If any such indication exists the useful life is changed.

Any change in the useful life is accounted for as change in estimate in accordance with GRAP 3 (*Accounting policies, change in accounting estimates and errors*)

Annually the municipality considers whether there have been any indication that the initial useful lives of assets needs to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

- (a) The composition of the asset has changed,
- (b) The use of the asset has changed because of the following:
 - (i) The municipality has changed the manner in which the asset is used;
 - (ii) The municipality has changed the utilisation rate of the asset;
 - (iii) The municipality has made the decision to dispose of the asset during a future reporting period which results in a change in the useful life of the asset;
 - (iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset;
 - (v) The asset was idle or retired during the current reporting period.
- (c) The asset is approaching its previously expected useful life,
- (d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period,
- (e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

9. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised in the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:
- The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

9. FINANCIAL INSTRUMENTS (continued)

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

9. 1 Financial Assets - Classification

A financial asset is any asset that represents cash or contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial assets at amortised cost** are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.
- **Financial assets measured at fair value** are financial assets that meet any of the following conditions:
 - (a) derivatives;
 - (b) combined instruments that are designated at fair value
 - (c) instruments held for trading.
 - (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- **Financial assets measured at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Bank, Cash and Cash Equivalents – Call Deposits	Financial assets at amortised cost
Bank, Cash and Cash Equivalents – Cash	Financial assets at fair value
Bank, Cash and Cash Equivalents – Bank	Financial assets at amortised cost
Operating Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current Portion of Long-term Receivables	Financial assets at amortised cost
Trade receivables from exchange transactions	Financial assets at amortised cost
Trade receivables from non-exchange transactions	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial assets at amortised cost.

9. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value;
- (ii) Amortised cost; or
- (iii) Cost.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 30 JUNE 2018**

9. FINANCIAL INSTRUMENTS (continued)

9. 2 Financial Liabilities - Classification (continued)

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short term loans	Financial liability at amortised cost
Current portion of long term liabilities	Financial liability at amortised cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

9. 3 Initial and Subsequent Measurement

9. 3. 1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial assets at Amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial assets at Amortised cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

9. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities are initially measured at fair value. Subsequently financial liabilities are measured at amortised cost.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded as the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

9. 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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9. FINANCIAL INSTRUMENTS (continued)

9. 4 Impairment of Financial Assets (continued)

Financial assets carried at amortised cost

Accounts receivable encompasses Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the Effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivable is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

9. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially, all the risks and rewards of ownership, and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

10. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

10. 1 Initial recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

10. 2 Subsequent measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

10. 3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - i. derecognise the receivable; and
 - ii. recognise separately any rights and obligations created or retained in the transfer.

11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018****11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)****Credit Risk**

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from customers.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 50.8 to the annual financial statements.

12. INVENTORIES**12. 1 Initial Recognition**

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also includes a proportion of overhead costs.

12. 2 Subsequent Measurement**Consumable stores, raw materials, work-in-progress and finished goods**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that a municipality expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date, comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

12. INVENTORIES (continued)

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

13. REVENUE RECOGNITION

13. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality, and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximate equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

13. 2 Revenue from Exchange Transactions

13. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

13. REVENUE RECOGNITION (continued)

13. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

13. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

13. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

13. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of principals has been quantified. The income recognised is in terms of the agency agreement.

13. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

13. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

13. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

13. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

13. REVENUE RECOGNITION (continued)

13. 3. 2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

Subsequent to initial recognition and measurement, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

13. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

13. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are under the control of the municipality.

13. 3. 5 Services in-kind

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

13. 3. 6 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14. CONDITIONAL GRANTS AND RECEIPTS

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

15. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time, and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**15. PROVISIONS (Continued)****Provision for Restructuring cost**

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

16. EMPLOYEE BENEFIT LIABILITY**16. 1 Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

16. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

16. 2. 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018****16. EMPLOYEE BENEFITS (continued)****16. 3 Defined Benefit Plans**

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

16. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

The municipality recognises actuarial gains and losses in full in the period in which they occur.

Past-service costs are recognised immediately in the Statement of Financial Performance.

16. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

16. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 44 of the Annual Financial Statements for details). These plans are either accounted for as defined benefit plans or defined contribution plans, based on their nature as set out in note 44. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued every three years (unless staff numbers vary materially) on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

16. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations are performed annually.

Past-service costs are recognised immediately in the Statement of Financial Performance.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

17. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

17. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, Plant and Equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

17. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

17. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

HESSEQUA LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2018**

18. BORROWING COSTS

All borrowing costs are treated as an expense in the period in which they are incurred.

19. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

20. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

21. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). The overspending on a vote constitutes unauthorised expenditure. All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

24. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

25. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

26. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. All related party transactions not in the ordinary course of business are disclosed.

27. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

28. TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

Certain functions might be transferred between entities within the same sphere of government or between entities that are part of the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

28.1 Initial Recognition

The assets and liabilities that qualify for recognition by the acquirer or derecognition by the transferor in a transfer of functions between entities under common control are the result of separate transactions to be accounted for in accordance with their nature and the applicable Standard of GRAP.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

- (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

- (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

28.2 Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

29. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Certain functions might be transferred between entities not under common control.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

29.1 Initial Recognition

Each transfer of functions between entities not under common control is accounted for by applying the acquisition method.

The acquisition method implies recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and recognising the difference between the assets and liabilities and the consideration transferred to the seller.

The identifiable assets acquired and the liabilities assumed are initially recognised at their acquisition-date fair values.

For each transfer of functions, the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at is measured at:

Fair value

The present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by the Standards of GRAP.

Any difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date is recognised in surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value.
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

- (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

- (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

29.2 Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

30. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of Financial Performance.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

31. COMPARATIVE INFORMATION

31. 1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

31. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts is set out in **note 47.4** of the annual financial statements.

31. 3 Budget information

The annual budget figures have been prepared in accordance with GRAP 24 and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2017 to 30 June 2018.

32. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

33. CAPITAL COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure notes. A distinction is made between capital and current commitments.

Capital commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts can be non-cancellable or only cancellable if significant cost contracts should relate to something other than the business of the municipality.

34. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

HESSEQUA LOCAL MUNICIPALITY		
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		
	2018	2017
	R	R

1. GENERAL INFORMATION

Hessequa Municipality (the municipality) is a local government institution in Riversdale, Western Cape. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

2. INVENTORY	Restated	
2.1 Stores, water and paving		
Stilbaai Store - at cost	635 092	603 111
Store Heidelberg - Electrical - at cost	69 044	102 547
Public Works - Heidelberg - at cost	7 994	12 455
Riversdal Main Store	-	97 655
Riversdal Electrical Store	1 877 916	2 203 359
Waterworks - Heidelberg - at cost	6 883	11 049
Water Inventory - at cost	205 967	148 711
	2 802 895	3 178 887
2.2 Other		
Stilbaai Books	863	460
Refuse Bins	2 010	1 508
Hessequa Book: Riversdal Tourism	-	136
Albertinia Municipal Office	1 358	2 715
Slangrivier - Office	679	679
Stilbaai - Office	136	136
Stilbaai Tourism Office	136	-
Witsand - Office	950	950
Heidelberg - Office	1 358	-
Mayoral Office	136	136
Total	2 810 521	3 185 607

Water Inventory

The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 250 000 cubic meters. In its present form, this water stock cannot be sold and needs to be purified and therefore, it's fair value has been estimated at the direct cost of the department less cost of chemicals, divided by the kiloliters sold.

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. Write downs of Inventory to Net Realisable Value amounted to R121 430.

No Inventories have been pledged as collateral for Liabilities of the municipality.

The cost of Inventories recognised as an expense during the period was R19 235 516 (2017: R19 124 001).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018					2018	2017
					R	R
3. Trade receivables from exchange transactions	30 JUNE 2017			30 JUNE 2018		
	Gross Balance	Provision for Impairment	Net Balance	Gross Balance	Provision for Impairment	Net Balance
Service Debtors:						
Electricity	15 848 406	7 252 615	8 595 792	16 604 680	7 619 721	8 984 959
Water	7 823 971	3 581 032	4 242 939	8 564 204	3 404 691	5 159 513
Sewerage	6 020 613	2 755 451	3 265 162	6 160 202	2 159 499	4 000 703
Waste Management	3 359 966	1 537 754	1 822 212	3 545 134	1 242 770	2 302 364
Other	5 342 557	2 445 125	2 897 432	5 443 978	1 908 422	3 535 556
	38 395 513	17 571 976	20 823 537	40 318 198	16 335 103	23 983 095

Ageing of consumer debtors

Electricity, Water, Waste Management & Sewerage

Current (0 - 30 days)	19 257 852	17 076 102
<u>Past due</u>		
31 - 60 days	2 552 409	2 172 872
60 days +	1 314 461	1 085 215
90 days +	11 749 498	12 718 767
Total	34 874 220	33 052 956

Other

Current (0 - 30 days)	804 876	530 370
<u>Past due</u>		
31 - 60 days	405 565	333 614
60 days +	172 680	246 985
90 days +	4 060 857	4 231 588
Total	5 443 978	5 342 557

Consumer Debtors are billed monthly, normally on the 29/30th of each month. No interest is charged on trade receivables until the 1st working day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. A Credit Control Debt Collection and Indigent By-law has been approved by council to ensure recovery of Consumer Debtors. Exchange receivables are not secured.

The municipality receives applications for water and electricity connections that it processes. Deposits are required to be paid for all water and electricity accounts opened.

The recoverability of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors. The concentration of credit risk and credit quality is limited due to the customer base being largely unrelated. Accordingly, management believes no further credit provisions or disclosures are required in excess of present allowance for impairment.

Summary of Debtors by Customer Classification

The summary of assessment Rates of Debtors by Customer Classification is included in the summary below.

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 JUNE 2018				
<u>Current:</u>				
0 - 30 days	14 916 909	4 162 911	687 006	295 902
<u>Past Due:</u>				
31 - 60 Days	2 317 410	581 417	30 462	28 685
61 - 90 Days	1 148 672	303 550	24 687	10 233
+ 90 Days	13 951 813	927 616	810 066	120 860
Sub-total	32 334 803	5 975 494	1 552 222	455 680
Less: Provision for Impairment	(13 625 152)	(2 517 938)		(192 013)
Total Debtors by Customer Classification	18 709 651	3 457 556	1 552 222	263 667

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

3. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Summary of Debtors by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 JUNE 2017				
<u>Current:</u>				
0 - 30 days	10 401 682	5 714 860	953 755	536 176
<u>Past Due:</u>				
31 - 60 Days	1 883 041	558 925	21 957	42 562
61 - 90 Days	962 212	310 586	25 115	34 288
+ 90 Days	14 529 149	1 155 547	938 097	327 561
Sub-total	27 776 083	7 739 918	1 938 925	940 587
Less: Provision for Impairment	(13 387 996)	(3 730 619)		(453 360)
Total Debtors by Customer Classification	14 388 086	4 009 299	1 938 925	487 226

Reconciliation of collective provision for impairment on exchange and non-exchange debtors

Balance at beginning of year	80 923 408	57 281 801
Impairment Losses recognised	34 345 891	47 471 141
Impairment -Vat movement	(155 616)	16 618
Amounts written off as uncollectable	(33 065 220)	(23 846 152)
Balance at end of year	82 048 463	80 923 408

The balance of the provision for impairment can be analysed as follows:

Consumer -and other debtors	20 627 395	22 330 438
Traffic Fines	61 421 068	58 592 970
	82 048 463	80 923 408

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date, and places strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.

The methodology followed in the calculation of the provision for impairment of consumer debtors was as follows:

- The highest 50 debtors were selected based on outstanding debt per unit number. These debtors were evaluated individually by management,
- High risk accounts were provided for at 100% - Debtors with indigent status,
- Low risk accounts provided for at 0% - State debtors, employee - and departmental accounts,
- All remaining debtors provided for at a percentage of non-payment for outstanding debt.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claims. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government grants and Subsidies receivable are past due and not impaired as management has no concern over the credit quality of these assets.

At 30 June 2018 consumer debtors of R3,920,367 (2017: R3,217,065) were past due but not impaired. The age analysis of these consumer debtors is as follows:

31 - 60 Days	2 957 973	2 506 486
61 - 90 Days	962 394	710 579
91 Days +	-	-
Total	3 920 367	3 217 065

No discounting calculation has been considered on the outstanding arrangements due to the fact that the provision for impairment on these accounts are considered to be adequate to ensure that these balances are disclosed at the recoverable amount.

4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment rates debtors	11 463 869	11 077 746
Prepaid Expenses	1 956 411	1 867 866
Employees PAYE & Salary control	26 405	82 284
Traffic Fines	78 541 216	76 094 766
Other	957 220	396 148
	92 945 121	89 518 810
Less: Provision for Impairment	(65 713 361)	(63 351 431)
Total Trade Receivables from non-exchange transactions	27 231 760	26 167 379

Analysis of traffic fines receivable

Traffic Fines receivable at beginning of the year	76 094 766	45 247 776
Movement of fines during the year	2 446 450	30 846 990
Fines outstanding at the end of the year before provision for impairment	78 541 216	76 094 766
Less: Provision for Impairment of traffic fines	(61 421 068)	(58 592 970)
Fines outstanding at the end of the year	17 120 148	17 501 796

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - (continued)

The average credit period for **Other Debtors**, excluding Assessment rate debtors, is 30 days. Interest is charged at prime plus 1% on all overdue assessment rates.

Non-Exchange receivables are not secured.

Ageing of trade receivables from non-exchange transactions

Rates Ageing

Current (0 - 30days)	5 060 958	4 423 936
<u>Past due</u>		
31 - 60 days	1 424 165	759 269
60 days +	418 495	668 398
90 days +	4 560 250	5 226 143
Total	11 463 869	11 077 746

Summary of Debtors by Customer Classification

As at 30 JUNE 2018

Current:

0 - 30 days	4 780 630	271 925	2 935	5 468
<u>Past Due:</u>				
31 - 60 Days	1 234 090	60 766	128 368	941
61 - 90 Days	391 713	23 024	2 935	823
+ 90 Days	3 938 254	193 764	390 778	37 454
Sub-total	10 344 688	549 479	525 016	44 686
Less: Provision for Impairment	(4 059 148)	(215 610)	-	(17 534)
Total Debtors by Customer Classification	6 285 539	333 869	525 016	27 152

As at 30 JUNE 2017

Current:

0 - 30 days	4 188 202	220 831	8 813	6 090
<u>Past Due:</u>				
31 - 60 Days	708 925	38 890	7 195	4 259
61 - 90 Days	611 595	48 309	4 362	4 132
+ 90 Days	4 328 497	212 319	533 042	152 285
Sub-total	9 837 219	520 349	553 412	166 766
Less: Provision for Impairment	(4 447 789)	(235 270)	-	(75 401)
Total Debtors by Customer Classification	5 389 430	285 079	553 412	91 365

At 30 June 2018 receivables from non-exchange transactions of R2,110,618 (2017: R1,895,349) were past due but not impaired. The age analysis of these debtors is as follows:

31 - 60 Days	1 424 165	759 269
61 - 90 Days	418 495	668 398
91 Days +	267 957	467 682
Total	2 110 618	1 895 349

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of the Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

5. VAT

VAT payable	(2 477 477)	(2 004 841)
VAT receivable	4 166 550	3 866 754
Net VAT receivable / (payable)	1 689 073	1 861 914

VAT is payable on the receipt basis. Once payment is received from debtors VAT is paid over to SARS. The VAT amount on outstanding debtors amounts to R3,951,553 (2017: R3,791,308) at year end.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
6. CASH AND CASH EQUIVALENTS			
Current Investments		216 414 954	200 359 524
Cash and Cash Equivalents		50 530	47 230
Bank		3 394 815	11 372 335
Total Bank, Cash and Cash Equivalents		219 860 299	211 779 090

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Call Deposits		216 414 954	200 359 524
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Summary of Investments

FNB		1 576 869	11 484 335
Investec		61 717 419	86 644 388
Standard Bank		50 628 205	10 074 137
Nedbank		102 492 460	92 156 665
		216 414 954	200 359 524

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 7.175% to 8.81% (2017: 6,80% to 8.755%) per annum.

Allocations of investments

- Repayment of Long-term Liabilities as set out in Note 18		17 420 948	15 737 596
- Attributable to Unspent Conditional Grants as set out in Note 16		12 680 337	21 250 876
- Attributable to Housing Reserve as set out in Note 21		245 694	245 694
- Attributable to Trust Funds - see note 49		2 032 577	1 921 347
- Provision made for 40% (2017: 35%) of provision for rehabilitation of land-fill sites		28 437 122	26 391 645
- Available for Operational Account		155 598 275	134 812 367
		216 414 954	200 359 524

The fair value of Short-term Investment Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

Primary Bank Account

First National Bank - Riversdale Branch Code 200313

Account Number 53571024174

Cheque Account

Cash book balance at beginning of year		11 296 052	3 209 069
Cash book balance at end of year		3 352 587	11 296 052

Bank statement balance at beginning of year		11 316 905	3 357 204
Bank statement balance at end of year		3 368 893	11 316 905

Current Account

First National Bank - Riversdale Branch Code 200313

Account Number 62225917543

Cheque Account

Cash book balance at beginning of year		76 283	22 648
Cash book balance at end of year		42 228	76 283

Bank statement balance at beginning of year		76 283	22 648
Bank statement balance at end of year		42 228	76 283

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The municipality limits its counterparty exposures from its cash and cash equivalents by only dealing with well-established financial institutions of high credit standing.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

7. OPERATING LEASE ASSETS

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	392 126	278 796
Operating Lease expenses recorded	(1 589 345)	(1 294 418)
Operating Lease payments effected	1 650 045	1 407 748
Total Operating Lease Assets	452 826	392 126

7.1 Leasing arrangements

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 25 years, with an option to extend. The operating lease receipts escalate between 5 and 10% annually. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following lease receipts were receivable under Operating Leases, at variable periods, for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	1 779 046	1 299 116
2 to 5 years	3 319 751	3 359 683
More than 5 years	908 895	1 165 232
Total Operating Lease Arrangements	6 007 692	5 824 031

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R60,700 (2017: Increase of R113,329). No restrictions have been imposed on the municipality in terms of the lease agreements.

8. PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2018

Reconciliation of Carrying Value

Description	Land	Buildings	Infrastructure	Community	Other	Total
Carrying values at 1 JULY 2017	147 401 528	28 610 654	471 171 882	15 950 590	89 349 728	752 484 382
Cost	165 573 047	56 891 793	566 316 936	26 808 604	126 197 941	941 788 322
- Completed Assets	165 573 047	56 875 593	543 532 051	26 335 340	126 197 941	918 513 973
- Under Construction	-	16 200	22 784 885	473 264	-	23 274 350
Accumulated Depreciation:	18 171 519	28 281 139	95 145 054	10 858 014	36 848 213	189 303 940
- Cost	18 171 519	28 281 139	95 145 054	10 858 014	36 848 213	189 303 940
Transfer to cost of completed assets due to projects completed	-	16 200	21 899 507	193 439	-	22 109 146
Transfer from cost under construction due to projects completed	-	(16 200)	(21 619 682)	(473 264)	-	(22 109 146)
Disposals	(188 000)	-	-	(36 092)	(383 506)	(607 598)
Depreciation on disposals	-	-	-	36 071	355 699	391 769
IGRAP 2 adjustment	-	-	-	-	(10 331 261)	(10 331 261)
Total acquisitions	8 000	1 688 786	45 271 174	2 869 857	12 461 962	62 299 779
Acquisitions	8 000	1 684 711	14 913 082	2 303 259	12 453 912	31 362 964
Capital under Construction - Additions	-	4 075	30 358 092	566 598	8 050	30 936 816
Depreciation:	-	3 025 857	15 043 162	1 163 649	10 789 956	30 022 625
- Based on cost	-	3 025 857	15 043 162	1 163 649	10 789 956	30 022 625
Impairment:	-	-	-	-	-	-
- Based on cost	-	-	-	-	-	-
CARRYING VALUES AT 30 JUNE 2018	147 221 528	27 273 582	501 679 719	17 376 953	80 662 665	774 214 448
Cost	165 393 047	58 580 579	611 867 935	29 362 545	127 945 136	993 149 243
- Completed Assets	165 393 047	58 576 504	580 344 640	28 795 947	127 937 086	961 047 224
- Under Construction	-	4 075	31 523 295	566 599	8 050	32 102 019
Accumulated Depreciation and impairment:	18 171 519	31 306 997	110 188 217	11 985 592	47 282 471	218 934 795
- Cost	18 171 519	31 306 997	110 188 217	11 985 592	47 282 471	218 934 795

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018					2018	2017
					R	R
8. PROPERTY, PLANT AND EQUIPMENT (continued)						
30 JUNE 2017						
Reconciliation of Carrying Value						
Description	Land Restated	Buildings Restated	Infrastructure Restated	Community Restated	Other Restated	Total Restated
Carrying values at 1 JULY 2016	147 424 496	29 351 351	372 206 136	14 803 943	86 000 152	649 786 078
Cost	165 596 015	54 951 492	455 412 484	24 459 767	115 275 970	815 695 728
- Completed Assets	165 596 015	54 028 954	412 100 577	23 040 661	115 275 970	770 042 177
- Under construction	-	922 538	43 311 907	1 419 106	-	45 653 551
Accumulated Depreciation:	18 171 519	25 600 141	83 206 348	9 655 824	29 275 818	165 909 650
- Cost	18 171 519	25 781 573	82 758 352	9 688 829	44 258 607	180 658 880
- Correction of errors	-	(181 432)	447 996	(33 005)	(14 982 790)	(14 749 230)
Transfer to cost of completed assets due to projects completed	-	922 538	26 163 555	991 282	-	28 077 374
Transfer from cost under construction due to projects completed	-	(922 538)	(26 163 555)	(991 282)	-	(28 077 374)
Disposals	(33 500)	-	(246 734)	-	(2 203 384)	(2 483 618)
Depreciation on disposals	-	-	135 815	-	2 042 486	2 178 301
IGRAP 2 adjustment	-	-	-	-	5 438 277	5 438 277
Total acquisitions	10 532	1 940 301	111 151 186	2 348 838	7 687 078	123 137 935
Acquisitions	10 532	1 924 101	105 514 654	2 303 397	7 687 078	117 439 762
Capital under Construction - Additions	-	16 200	5 636 533	45 440	-	5 698 173
Restatements Capital under construction - Additions	-	-	-	-	-	-
Depreciation:	-	2 680 998	12 074 521	1 202 191	9 614 881	25 572 591
- Based on cost as restated	-	3 182 030	12 021 189	1 198 127	10 148 323	26 549 670
- Restatements	-	(501 032)	53 332	4 063	(533 442)	(977 079)
Impairment:	-	-	-	-	-	-
- Based on cost	-	-	-	-	-	-
CARRYING VALUES AT 30 JUNE 2017	147 401 528	28 610 654	471 171 882	15 950 590	89 349 728	752 484 382
Cost	165 573 047	56 891 793	566 316 936	26 808 604	126 197 941	941 788 322
- Completed Assets	165 573 047	56 875 593	543 532 051	26 335 340	126 197 941	918 513 973
- Under Construction	-	16 200	22 784 885	473 264	-	23 274 350
Accumulated Depreciation and impairment:	18 171 519	28 281 139	95 145 054	10 858 014	36 848 213	189 303 940
- Cost	18 171 519	28 963 603	94 643 726	10 886 956	52 364 445	205 030 249
- Restatements	-	(682 464)	501 328	(28 942)	(15 516 231)	(15 726 309)

8.1 Property, Plant and Equipment Under Construction	R	R
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The municipality has incurred expenditure on capital projects which were not completed at year end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

- Buildings	4 075	16 200
- Infrastructure	31 523 295	22 784 885
- Community	566 599	473 264
- Other assets	8 050	-
	32 102 019	23 274 350

Property, Plant and Equipment per Cash Flow Statement:

- Total Additions as per Appendix "B"	62 299 779	123 137 935
- Less: Donated Assets	(141 699)	(900 000)
	62 158 081	122 237 935

8.2 Delayed projects

No projects that are currently in progress are experiencing significant delays. No projects have been halted either during the current or previous reporting period.

8.3 Impairment of Property, Plant and Equipment

The Municipality carried out a review of the recoverable amount of all its Assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R
8. PROPERTY, PLANT AND EQUIPMENT (continued)		

8.4 Net carrying amount of assets subject to finance lease

The Municipality does not have any assets subject to finance leases at the end of the current year.

8.5 Expenditure to repair and maintain

The following specific costs included in the amount of repairs and maintenance were incurred by the municipality during the reporting period:

Contractors	8 892 902	8 675 330
Materials	7 685 418	7 532 336
	16 578 320	16 207 666

9. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	298 911	320 455
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The movement in Intangible Assets is reconciled as follows:

Carrying value at 1 JULY 2017	320 455	342 000
Cost	457 480	457 480
Accumulated Amortisation	(137 025)	(115 480)
Acquisitions during the Year:	-	-
Amortisation during the Year:	(21 545)	(21 545)
Carrying value at 30 JUNE 2018	298 911	320 455
Cost	457 480	457 480
Accumulated Amortisation	(158 569)	(137 025)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (See note 31)

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Asset has been pledged as security for any liabilities of the Municipality.

Significant intangible Assets that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102, are the following:

- Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

No restrictions apply to any of the Intangible Assets of the municipality.

10. INVESTMENT PROPERTY

At fair value	71 227 509	70 995 100
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 JULY 2017	70 995 100	68 307 159
Fair value as previously reported	70 995 100	68 307 159
Restatement	-	-
Disposals	(221 100)	(17 000)
Fair value adjustments due to revaluation	453 509	2 704 941
Carrying values at 30 JUNE 2018	71 227 509	70 995 100
Fair value	71 227 509	70 995 100
Accumulated impairment loss	-	-

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	144 932	330 211
Direct Operating expenses arising from investment property that generated rental revenue - Repairs and maintenance	-	(57 590)

All of the municipality's Investment Property is held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

10.1 Impairment of Investment Property

The municipality carried out a review of the recoverable amount of all its Investment Property. No impairment losses have been recognised on Investment Property of the municipality at the reporting date. (2017: R0)

10.2 Investment Property carried at Fair Value:

The fair value of investment properties was determined by a qualified valuer based on current market prices. The valuations were performed by DDP valuers and the valuer Mr. T Nel is a professional valuer.

10.3 Expenditure to repair and maintain

Contractors	-	3 860
Materials	-	53 730
	-	57 590

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

11. HERITAGE ASSETS

30 JUNE 2018

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiquities and exhibits	Total
Carrying value at 1 JULY 2017	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses			
Impairment losses	-	-	-
Disposals	-	-	-
CARRYING VALUE AT 30 JUNE 2018	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses			
	-	-	-

30 JUNE 2017

Reconciliation of Carrying Value

	Mayoral chains	Art collections, antiquities and exhibits	Total
Carrying value at 1 JULY 2016	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses			
Impairment losses	-	-	-
Disposals	-	-	-
CARRYING VALUE AT 30 JUNE 2017	30 000	8 291 875	8 321 875
Cost			
- Completed Assets	30 000	8 291 875	8 321 875
Accumulated Impairment losses			
	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets have been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

11.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

12. LONG-TERM RECEIVABLES

Sport clubs/Pre-primary school	12 871	15 505
Less: Current portion transferred to current receivables		
Sport clubs/Pre-primary school	(2 849)	(2 634)
Total	10 022	12 871

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

In determining the recoverability of a Long-term Receivables, the municipality considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the Provision for Impairment.

Credit quality is determined by past defaults. There are no past defaults and consequently no impairments.

Sport clubs and other

The council granted loans at a interest rate of 8% to the following:

Pikkewouter Pre-primary school - Stilbaai

Heidelberg Gholflklub

These loans are repayable by the year 2022 and are not secured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
13. CONSUMER DEPOSITS			Reclassified
Electricity, Water and Other		8 399 605	6 443 626
Balance 30 JUNE 2018		8 399 605	6 443 626

Consumer Deposits are paid by consumers on application for new water and electricity connections, and other deposits are paid with a new application. Examples of these deposits are for camping sites, building plans, and rental of facilities. Service deposits are repaid when the water and electricity connections are terminated, and all other deposits are repaid upon receipt of an application. In cases where consumers default on their account, the Municipality can utilise the deposit as payment for the outstanding amount. No interest is paid on Consumer Deposits held, as well as on any other deposit. The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the Municipality and its consumers.

Refer to note 47.5 for reclassification

14. PROVISIONS			
Performance Bonus		841 190	714 752
Staff bonuses		3 887 857	3 710 174
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19.1 below)		2 280 000	2 015 885
Current portion of Provision for Ex-Gratia Pensioners Benefit Liability (See Note 19.2 below)		4 000	10 878
Current portion of Provision for long-service Awards (See note 20 below)		890 000	1 022 375
Total Provisions		7 903 047	7 474 064

Performance bonuses

Performance bonuses accrue to employees yearly, subject to performance criteria stipulated in the employee contracts. The amount of the bonus is fixed at a maximum of 14% of the annual remuneration. This is however subjected to evaluation. The provision is an estimate of the amount due to directors at the reporting date.

Staff bonuses

Service bonuses are granted to employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees from December to June which is based on their salaries earned at 30 June of each year. In order to qualify for a 13th cheque, the staff member must be in service of the municipality at the date of payment.

The movement in current provisions are reconciled as follows:-

	Staff bonuses	Post Employment Health Care Benefits	Current Portion of Long Service	Current Portion of Ex-Gratia Benefits	Performance Bonus
Balance at 1 JULY 2017	3 710 174	2 015 885	1 022 375	10 878	714 752
Transfer to non-current	-	-	-	(6 878)	-
Contribution to provisions	3 887 857	2 345 427	855 127	-	791 883
Expenditure incurred	(3 710 174)	(2 081 312)	(987 502)	-	(665 445)
Balance at 30 JUNE 2018	3 887 857	2 280 000	890 000	4 000	841 190
Balance at 1 JULY 2016	3 275 933	1 818 000	594 000	2 000	763 940
Transfer from non-current	-	-	-	-	-
Contribution to provisions	3 710 174	1 962 104	1 022 375	8 878	714 752
Expenditure incurred	(3 275 933)	(1 764 219)	(594 000)	-	(763 940)
Balance at 30 JUNE 2017	3 710 174	2 015 885	1 022 375	10 878	714 752

15. CREDITORS			Reclassified
Trade Creditors		30 416 499	33 189 258
Payments received in advance		3 482 993	3 728 276
Retentions		5 932 347	7 526 915
Staff Leave		7 028 056	6 433 171
Other Creditors		4 083 061	3 130 800
Total		50 942 955	54 008 420

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure all payables are paid within the credit timeframe.

Retentions refer to construction contracts.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government - Appendix F	11 477 728	20 102 693
National Government Grants	30 907	6 716 198
Provincial Government Grants	11 108 433	13 013 107
District Municipality Grants	338 388	373 388
16.2 Other Conditional Receipts - Appendix F	1 202 609	1 148 183
Tourism Note 26.5	101 819	101 819
Skills Development Note 26.1	495 961	258 318
National Lottery Fund Note 26.3	303 227	303 227
ASLA Devco - Water meters Slangrivier Note 26.4	217 310	273 400
Africana Centre Note 26.2	314	23 315
Public Participation Strategy Note 26.6	60 000	60 000
Arbor Day Award Note 26.7	23 978	128 105
Total conditional grants and receipts	12 680 337	21 250 876

See note 25 and 26 for reconciliation of grants.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

17. OPERATING LEASE LIABILITY

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	130 220	98 476
Operating Lease expenses recorded	936 641	886 366
Operating Lease payments effected	(931 366)	(854 622)
Total Operating Lease Liabilities	135 495	130 220

17.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period. The operating lease payments escalate between 0 and 8% annually. The municipality did not pay any contingent rent during the year.

17.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:	1 770 246	1 391 025
Up to 1 year	758 507	728 723
2 to 5 years	1 011 739	662 302
More than 5 years	-	-
Computer software:	887 384	1 140 444
Up to 1 year	273 344	253 092
2 to 5 years	614 040	887 352
More than 5 years	-	-
Equipment:	1 310 998	1 709 997
Up to 1 year	1 310 998	1 069 010
2 to 5 years	-	640 987
More than 5 years	-	-
Total Operating Lease Arrangements	3 968 628	4 241 466

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	(931 366)	(854 622)
Total Operating Lease Expenses	(931 366)	(854 622)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
18. LONG-TERM LIABILITIES			
Annuity Loans		111 554 932	127 294 110
		111 554 932	127 294 110
Less: Current portion transferred to current liabilities			
Annuity Loans		17 420 948	15 737 596
Total long-term liabilities (Neither past due nor impaired)		94 133 984	111 556 514

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 8.90% tot 11.56% per annum. Annuity loans are not secured.

Refer to Appendix "A" for more detail on Long-term Liabilities.

Long-term Liabilities have been utilized in accordance with the MFMA. Current portion of long-term liabilities is fully invested in ringfenced financial instruments. See note 6 for more detail.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Obligations under finance lease liabilities:

The Municipality as lessee

The Municipality did not have any finance lease liabilities at the end of the year.

19. RETIREMENT BENEFIT LIABILITIES		
Post-retirement Health Care Benefits Liability	51 516 000	42 005 148
Ex-gratia Pension Benefit Liability	106 000	111 762
Total	51 622 000	42 116 910
19.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	44 021 033	44 668 000
Contributions to Provision	5 721 664	6 282 000
Expenditure incurred	(2 081 312)	(1 764 219)
Actuarial (gains)/loss	6 134 615	(5 164 748)
Balance at end of Year	53 796 000	44 021 033
Transfer to Current Provisions	(2 280 000)	(2 015 885)
Total Post-retirement Health Care Benefits Liability	51 516 000	42 005 148

The liability in respect of the current and previous four years has been estimated as follows:

	2018	2017	2016	2015	2014
	R	R	R	R	R
Members	53 796 000	44 021 033	44 668 000	44 603 000	45 098 427
Total Liability	53 796 000	44 021 033	44 668 000	44 603 000	45 098 427
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	6 134 615	(5 164 748)	(3 847 733)	(4 007 373)	-

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation was carried out at 30 June 2018 by Neil Fourie, Fellow of the Actuarial Society of South Africa and employee of ZAQEN Actuaries (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	161	149
Continued Members (Retirees, widowers and orphans)	54	53
Total members	215	202

The liability in respect of past service has been estimated as follows:

In-service Members	28 011 000	19 080 033
Continued Members	25 785 000	24 941 000
Total liability	53 796 000	44 021 033

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R
19. RETIREMENT BENEFIT LIABILITIES (continued)		

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost and interest cost for the year ending 30 June 2018 is estimated to be R1,623,513 and R4,098,151 respectively, whereas the cost for the ensuing year is estimated to be R1,804,000 and R5,322,000 respectively.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.72%	9.52%
Health Care Cost Inflation Rate (1% above Consumer price inflation)	8.97%	7.82%
Net Effective Discount Rate	0.69%	1.58%
Average retirement age	63	65

The assumption made regarding the average retirement age was adjusted from 65 to 63 years. This resulted in an actuarial loss during the current year.

ii) Mortality rates

Pre-retirement SA 85 - 90 mortality table

SA 85 - 90 mortality table

Post-retirement PA (90 - 1) ultimate mortality table

PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The normal retirement age for all active employees was assumed to be 65 years.

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	44 021 033	44 668 000
Current service costs	1 623 513	1 842 000
Interest cost	4 098 151	4 440 000
Benefits paid	(2 081 312)	(1 764 219)
Actuarial gains	6 134 615	(5 164 748)
Present Value of Fund Obligation at the end of the Year	53 796 000	44 021 033
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	53 796 000	44 021 033

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	53 796 000	44 021 033
Unrecognised Past-service Cost	-	-
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	53 796 000	44 021 033

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 623 513	1 842 000
Interest cost	4 098 151	4 440 000
Actuarial gains	6 134 615	(5 164 748)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	11 856 279	1 117 252

Sensitivity analysis

i) The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	8 347 000	7 432 000
Effect on the defined benefit obligation	61 680 000	50 811 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	6 137 000	5 361 000
Effect on the defined benefit obligation	47 289 000	38 481 000

The municipality expects to make a contribution of R7 126 000 to the provision during the next year.

Refer to Note 44 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is administered Provincially and Nationally.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

19. RETIREMENT BENEFIT LIABILITIES (continued)

19.2 Ex-Gratia Pensioners Defined Benefit Liability

Balance at beginning of Year	122 640	134 000
Contributions to Provision	10 409	11 000
Expenditure incurred	(2 000)	-
Decrease due to Re-measurement	(21 049)	(22 360)
Balance at end of Year	110 000	122 640
Transfer to Current Provisions	(4 000)	(10 878)
Total Ex-Gratia Pensioners Benefits Liability	106 000	111 762

The liability in respect of the current and previous four years has been estimated as follows:

	2018	2017	2016	2015	2014
	R	R	R	R	R
Members	110 000	122 640	134 000	138 000	226 570
Total Liability	110 000	122 640	134 000	138 000	226 570
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	(21 049)	(22 360)	(9 000)	(58 918)	-

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2018, 51 (2017: 54) pensioners were eligible for payments in terms of this plan. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The Municipality provides a once-off pension benefit to all employees who entered service prior to 31 December 1994 on normal retirement (65 for males and 60 for females). Only members who were still in-service after 1 July 1998 are entitled to the benefit. The benefit is calculated according to the average annual salary earned as at 31 December 1994 multiplied by number of years of service up to 31 December 1994, multiplied by 10%.

The interest-cost for the next year is estimated to be R10 000. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

Key actuarial assumptions used:

i) Rate of interest

Discount Rate	9.14%	8.87%
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ii) Mortality rates

The SA85-90 Ultimate mortality table was used by the actuaries

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	122 640	134 000
Interest cost	10 409	11 000
Benefits paid	(2 000)	-
Actuarial losses / (gains)	(21 049)	(22 360)
Present Value of Fund Obligation at the end of the Year	110 000	122 640
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	110 000	122 640

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	110 000	122 640
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	110 000	122 640

The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	10 409	11 000
Actuarial gains	(21 049)	(22 360)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	(10 640)	(11 360)

The effect of a one percent movement in the discount rate is as follows:

Increase:

Effect on the interest cost	10 000	12 000
Effect on the defined benefit obligation	104 000	115 632

Decrease:

Effect on the interest cost	9 000	10 000
Effect on the defined benefit obligation	117 000	130 314

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018 R	2017 R
20. NON-CURRENT PROVISIONS		
Provision for Long Service Awards	8 751 000	7 776 800
Land-fill Sites	71 092 805	75 404 699
Total non-current provisions	79 843 805	83 181 499

The movement in Non-current Provisions are reconciled as follows:

	30 JUNE 2018 Land-fill sites	30 JUNE 2018 Long Service Awards
Balance at beginning of year	75 404 699	8 799 175
(Decrease)/increase due to changes in the amount of the outflow of resources embodying economic benefits and a change in the discount rate	(10 331 261)	1 440 663
Expenditure incurred		(1 002 000)
Interest charge due to the unwinding of discount	6 019 367	
Increase due to re-measurement		403 162
	71 092 805	9 641 000
Transfer to current provisions	-	(890 000)
Balance at end of year	71 092 805	8 751 000

The liability in respect of the current and previous four years has been estimated as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Members	9 641 000	8 799 175	8 226 000	7 460 000	6 735 286
Total Liability	9 641 000	8 799 175	8 226 000	7 460 000	6 735 286
Experience adjustments were calculated as follows:					
Liabilities: (Gain)/Loss	403 162	(365 825)	(297 017)	84 714	145 000

Long service awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees. The municipality operates an unfunded defined plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Neil Fourie, Fellow of the Actuarial Society of South Africa and employee of ZAQEN Actuaries (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 521 (2017: 522) employees were eligible for Long-services Awards.

The Current-service Cost and interest cost for the year ending 30 June 2018 is estimated to be R726,589 and R714,074 respectively, whereas the cost for the ensuing year is estimated to be R775,000 and R917 000 respectively.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Long Service	
	2018	2017
Discount Rate	8.93%	8.60%
General salary inflation	7.43%	6.43%
Net Effective Discount Rate	1.40%	2.05%
Average retirement age	63	65

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	8 799 175	8 226 000
Current service costs	726 589	698 000
Interest cost	714 074	835 000
Benefits paid	(1 002 000)	(594 000)
Actuarial losses / (gains)	403 162	(365 825)
Present Value of Fund Obligation at the end of the Year	9 641 000	8 799 175
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	9 641 000	8 799 175

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	9 641 000	8 799 175
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	9 641 000	8 799 175

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	726 589	698 000
Interest cost	714 074	835 000
Actuarial (gains) / losses	403 162	(365 825)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	1 843 825	1 167 175

Sensitivity Analysis:

The effect of a 1% movement in the assumed general salary inflation rate is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1 846 000	1 678 000
Effect on the defined benefit obligation	10 422 000	9 484 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	1 555 000	1 405 000
Effect on the defined benefit obligation	8 943 000	8 190 000

The municipality expects to make a contribution of R1 692 000 to the provision during the next year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

20. NON-CURRENT PROVISIONS - (continued)

Provision for Land-fill Sites

The provision for rehabilitation of the land-fill sites is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the land-fill sites. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the statement of financial performance.

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of land-fill sites as well as the remaining useful life of each specific land-fill site.
- Interest rates linked to the Consumer Price Index was used to calculate the effect of time value of money.

21. STATUTORY FUNDS

Housing Reserve

Balance 1 July	245 694	245 694
Rental Income	-	-
	245 694	245 694
Less: Expenses	-	-
Total at 30 June	245 694	245 694

The Housing reserve is represented by the following:

Investment (included in investments note 6)	245 694	245 694
Total Housing Reserve Assets	245 694	245 694

The **Housing Development Fund** has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

22. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

	Restated	
Opening balance as restated	752 280 204	612 475 096
Surplus for the year as restated	52 462 535	139 805 108
Transfer to Housing Reserve	-	-
Total Accumulated Surplus	804 742 739	752 280 204

23. PROPERTY RATES

Actual

Residential, Commercial & State	85 124 471	77 595 996
Less: Income Forgone	(6 975 894)	(6 608 177)
Total Assessment Rates	78 148 577	70 987 819

Valuations

	R000's	R000's
Residential, Commercial & State	10 031 556	9 853 736
Agriculture	3 932 614	3 923 702
Municipal	320 799	320 812
Churches	118 895	117 790
Total Property Valuations	14 403 864	14 216 040

Assessment Rates are levied on the market value of properties, which valuation must be performed every four years. The Municipality however obtained approval by the MEC for an extension for the next valuation roll to be implemented 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

Rates are levied annually on property owners and are payable in 12 monthly installments. Interest is levied on outstanding rates amounts.

A uniform general residential rate of 0.007109 c/R (2016/2017: 0.006582 c/R) is applied to property valuations to determine assessment rates.

The current property valuations were done according to the Local Government: Municipal Property Rates Act 6 of 2004, with implementation date 1 July 2014.

The rates tariffs for the 2017/2018 financial year were as follows:

	2017/18	2016/17
Residential	.007109c/R	.006582c/R
Vacant Land	.012387c/R	.011469c/R
Agriculture	.001777c/R	.001645c/R
State	.015092c/R	.014512c/R
Business	.007276c/R	.006737c/R

A rebate of R50 000 on the value of the property (2016/2017: R50 000) was allowed on residential properties, whilst rebates of 10% - 40% were applied to pensioners, based on the annual income of the ratepayer. A discount of 10% was granted to agricultural properties used for residential and/or business purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
24. SERVICE CHARGES			
Sale of electricity		131 783 398	127 795 091
Sale of water		33 829 899	31 144 803
Connection Fees - Geyser load control		369 879	282 149
Refuse removal fees		15 263 906	12 542 244
Sewerage and sanitation charges		20 241 509	17 193 957
Total Service Charges		201 488 590	188 958 244
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed on a monthly basis according to approved tariffs.			
25. GOVERNMENT GRANTS AND SUBSIDIES - (Statement of Performance)			
		Reclassified	
Operating			
National:		40 132 920	37 617 357
Equitable Share	25.1	37 497 000	34 558 000
Financial Management Grant	25.2	1 550 000	1 475 000
MIG Projects	25.10	690 650	651 151
Expanded Public Works Programme	25.4	395 270	394 430
Integrated National Electricity Program	25.11	-	538 776
Provincial:		19 934 226	24 747 207
Human Settlement Development	25.5	11 005 796	17 113 168
Library Conditional Grant	25.7	3 200 000	2 127 743
Libraries Municipal Replacement Funding	25.14	4 469 313	4 528 926
Municipal Service Delivery and Capacity Building	25.19	16 020	179 756
LG Graduate Internship Grant	25.20	74 878	15 000
Greenest Municipality	25.16	42 387	123 169
Subsidy - Proclaimed Roads	25.13	111 000	110 755
Municipal Infrastructure Support Grant	25.21	-	284 190
Municipal Electrical Master Plan	25.25	600 000	-
Financial Management Support Grant	25.17	414 832	264 500
Capital Projects			
National:		30 503 147	94 422 038
Integrated National Electricity Program	25.11	1 000 000	-
MIG Allocations	25.10	17 346 418	11 606 500
Disaster Recovery Grant	25.18	11 519 000	82 121 968
Expanded Public Works Programme	25.4	637 730	693 570
Provincial:		2 302 783	1 275 166
Riversdal Thusong Centre	25.3	-	92 400
Fire Service Capacity Building Grant	25.24	937 954	-
Human Settlement Development	25.5	-	927 360
Municipal Drought Support Grant	25.23	1 000 000	-
Library Conditional Grant	25.7	-	255 406
Libraries Municipal Replacement Funding	25.14	329 829	-
Vermaaklikheid Land Reform	25.26	35 000	-
Total Government Grants & Subsidy - Operational		60 067 145	62 364 563
Total Government Grants & Subsidy - Capital		32 805 930	95 697 204
Government - Operating Grants		60 067 145	62 364 563
Government - Capital Grants		32 805 930	95 697 204
TOTAL: GOVERNMENT GRANTS AND OTHER GRANTS - Appendix F		92 873 075	158 061 767
Other grants note 26		357 518	350 096
		93 230 593	158 411 864

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018 R	2017 R
25 GOVERNMENT GRANTS AND SUBSIDIES - (continued)		
25.1 Equitable Share		
Current Year Receipts	37 497 000	34 558 000
Conditions met - transferred to revenue	(37 497 000)	(34 558 000)
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as for LED and upliftment projects. All registered indigents receive the following:

<u>Level of Income:</u>	<u>Subsidy</u>
- R0.00 - R3 000	- free basic services plus 100% rebate on rates - 6kl free water - 50kwh free electricity
- R3 001 - R3 500	- 50% free basic services plus 50% rebate on rates - 6kl free water - 50kwh free electricity

25.2 Financial Management Grant		
Balance unspent at beginning of year	-	-
Current Year Receipts	1 550 000	1 475 000
Conditions met - transferred to revenue: Operating Expenses	(1 550 000)	(1 475 000)
Conditions met - transferred to revenue: Capital Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	-

The Financial Management Grant is paid by National Treasury to all municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The MFMA Grant also pays for the cost of the Financial Management Internship Programme (eg. Salary costs of the Financial Management interns).

25.3 Riversdale Thusong Centre		
Balance unspent at beginning of year	2 600	95 000
Current Year Receipts	-	-
Revert back to Provincial Department	(2 600)	
Conditions met - transferred to revenue: Capital Expenses		(92 400)
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	2 600

This grant is used for social and economic development.

25.4 Extended Public Works Programme		
Balance unspent at beginning of year	-	-
Current Year Receipts	1 033 000	1 088 000
Conditions met - transferred to revenue: Operating Expenses	(395 270)	(394 430)
Conditions met - transferred to revenue: Capital Expenses	(637 730)	(693 570)
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	-

The EPWP is used for various local economic development and environmental projects.

25.5 Human Settlement Development		
Balance unspent at beginning of year	10 078 278	-
Current Year Receipts	3 586 862	28 118 806
Conditions met - transferred to revenue: Capital Expenses	-	(927 360)
Conditions met - transferred to revenue: Operating Expenses	(11 005 796)	(17 113 168)
Conditions still to be met - transferred to liabilities (refer note 16.1)	2 659 344	10 078 278

This grant from the Department of Local Government and Housing is used for the construction of houses and related infrastructure.

25.6 Spatial Development Framework		
Balance unspent at beginning of year	2 807	2 807
Revert back to Provincial Department	(2 807)	
Current Year Receipts	-	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	2 807

This grant is earmarked for environmental projects.

25.7 Library Conditional Grant		
Balance unspent at beginning of year	-	146 149
Current Year Receipts	3 200 000	2 237 000
Conditions met - transferred to revenue: Capital Expenses	-	(255 406)
Conditions met - transferred to revenue: Operating Expenses	(3 200 000)	(2 127 743)
Conditions still to be met - transferred to liabilities (refer note 16.1)	-	-

This grant is utilised to fund the remuneration expenses of the library service.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
25 GOVERNMENT GRANTS AND SUBSIDIES - (continued)			
25.8 Accelerated Community Infrastr. Programme			
Balance unspent at beginning of year		30 907	30 907
Current Year Receipts		-	-
Conditions met - transferred to revenue: Operating Expenses		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.1)		30 907	30 907
This grant is utilised for Local Economic Development projects.			
25.9 Housing Consumer Education - George Municipality			
Balance unspent at beginning of year		21 068	21 068
Current Year Receipts		-	-
Conditions met - transferred to revenue: Operating Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.1)		21 068	21 068
This grant is earmarked for consumer awareness projects.			
25.10 MIG Infrastructure allocations			
Balance unspent at beginning of year		4 224 067	3 458 718
Current Year Receipts		13 813 000	13 023 000
Conditions met - transferred to Revenue: Capital Expenses		(17 346 418)	(11 606 500)
Conditions met - transferred to revenue: Operating Expenses		(690 650)	(651 151)
Conditions still to be met - transferred to liabilities (refer note16.1)		(0)	4 224 067
This grant was used to construct roads, labour intensive side-walks, sewerage and water infrastructure as part of the upgrade of informal settlement areas.			
25.11 Integrated National Electricity Program			
Balance unspent at beginning of year		2 461 224	-
Current Year Receipts		1 000 000	3 000 000
Conditions met - transferred to Revenue: Capital Expenses		(1 000 000)	-
Conditions met - transferred to Revenue: Operating Expenses		-	-
Repaid to National Revenue Fund		(2 461 224)	(538 776)
Conditions still to be met - transferred to liabilities (refer note16.1)		-	2 461 224
The INEP grant was used for electrification of housing schemes.			
25.12 Slangrivier Land Reform			
Balance unspent at beginning of year		8 725	8 725
Current Year Receipts		-	-
Revert to Provincial Government		(8 725)	-
Conditions met - transferred to Revenue: Capital Expenses		-	-
Conditions met - transferred to revenue: Operating Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.1)		-	8 725
25.13 Proclaimed Roads			
Balance unspent at beginning of year		-	-
Current Year Receipts		111 000	110 755
Conditions met - transferred to Revenue: Operating Expenses		(111 000)	(110 755)
Conditions met - transferred to Revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.1)		-	-
This grant was used for Provincial road projects.			
25.14 Libraries Municipal Replacement Funding			
Balance unspent at beginning of year		390 102	146 028
Current Year Receipts		4 664 001	4 773 000
Conditions met - transferred to Revenue: Operating Expenses		(4 469 313)	(4 528 926)
Conditions met - transferred to Revenue: Capital Expenses		(329 829)	-
Conditions still to be met - transferred to liabilities (refer note16.1)		254 961	390 102
This grant is utilised to fund the expenses of the library service.			
25.15 Municipal Capacity Building Grant			
Balance unspent at beginning of year		120 000	16 590
Current Year Receipts		240 000	120 000
Revert to Provincial Government		-	(16 590)
Conditions still to be met - transferred to liabilities (refer note16.1)		360 000	120 000
This grant was used for project preparation.			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018 R	2017 R
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25. GOVERNMENT GRANTS AND SUBSIDIES - (continued)

25.16 Subsidy - Greenest Municipality

Balance unspent at beginning of year	11 454	4 623
Current Year Receipts	50 000	130 000
Conditions met - transferred to revenue: Operating Expenses	(42 387)	(123 169)
Conditions still to be met - transferred to liabilities (refer note16.1)	19 067	11 454

This grant was used to further develop the municipality's performance management system.

25.17 Financial Management Support Grant

Balance unspent at beginning of year	97 500	369 362
Current Year Receipts	330 000	-
Revert to Provincial Government	-	(7 362)
Conditions met - transferred to revenue: Operating Expenses	(414 832)	(264 500)
Conditions still to be met - transferred to liabilities (refer note16.1)	12 668	97 500

This grant was used for the development of the municipality's financial plan.

25.18 Disaster Recovery Grant

Balance unspent at beginning of year	-	63 640 968
Current Year Receipts	11 519 000	30 000 000
Revert to National Government	-	(11 519 000)
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	(11 519 000)	(82 121 968)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	-

The grant was used for the rehabilitation of infrastructure damaged by floods. The municipality was in a dispute with National Government (NG) regarding NG's claim that R30 000 000 of the grant be reverted to NG. An amount of R11 519 000 was recovered from the municipality in 2016/17, while the amount of R18 481 000 was to be recovered from the approved equitable share allocation in future years. The amount of R11 519 000 has been refunded, while the municipality has been granted remission of the R18 481 000. The promulgation was made by means of a MIG allocation, but because of the conditions of the grant, it is still shown separately for easy reference. A portion of the allocation was already spent in 2016/17.

25.19 Municipal Service Delivery and Capacity Building

Balance unspent at beginning of year	20 244	-
Current Year Receipts	-	200 000
Conditions met - transferred to revenue: Operating Expenses	(16 020)	(179 756)
Conditions still to be met - transferred to liabilities (refer note16.1)	4 224	20 244

For the repair of potholes.

25.20 LG Graduate Internship Grant

Balance unspent at beginning of year	45 000	-
Current Year Receipts	66 000	60 000
Conditions met - transferred to revenue: Operating Expenses	(74 878)	(15 000)
Conditions still to be met - transferred to liabilities (refer note16.1)	36 122	45 000

For repairing a fire damaged house on erf 4637, Morestond Riversdal

25.21 Municipal Infrastructure Support Grant

Balance unspent at beginning of year	15 810	300 000
Current Year Receipts	-	-
Revert back to Provincial Department	(15 810)	-
Conditions met - transferred to revenue: Operating Expenses	-	(284 190)
Conditions still to be met - transferred to liabilities (refer note16.1)	-	15 810

25.22 Housing Consumer Education

Balance unspent at beginning of year	20 586	20 586
Current Year Receipts	-	-
Revert to Provincial Government	(20 586)	-
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions still to be met - transferred to liabilities (refer note16.1)	-	20 586

This grant is earmarked for consumer awareness projects.

25.23 Municipal Drought Support Grant

Balance unspent at beginning of year	1 000 000	-
Current Year Receipts	7 500 000	1 000 000
Conditions met - transferred to revenue: Operating Expenses	-	-
Conditions met - transferred to revenue: Capital Expenses	(1 000 000)	-
Conditions still to be met - transferred to liabilities (refer note16.1)	7 500 000	1 000 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
25. GOVERNMENT GRANTS AND SUBSIDIES - (continued)			
25.24 Fire Service Capacity Building Grant			
Balance unspent at beginning of year		1 200 000	-
Current Year Receipts		-	1 200 000
Conditions met - transferred to revenue: Capital Expenses		(937 954)	-
Conditions still to be met - transferred to liabilities (refer note16.1)		262 046	1 200 000
25.25 Municipal Electrical Master Plan			
Balance unspent at beginning of year		-	-
Current Year Receipts		600 000	-
Conditions met - transferred to revenue: Operating Expenses		(600 000)	-
Conditions still to be met - transferred to liabilities (refer note16.1)		-	-
25.26 Vermaaklikheid Land Reform			
Balance unspent at beginning of year		78 787	78 787
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		(35 000)	-
Conditions still to be met - transferred to liabilities (refer note16.1)		43 787	78 787
25.27 Alternative Electricity			
Balance unspent at beginning of year		273 533	273 533
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.1)		273 533	273 533

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
26. OTHER GRANTS AND SUBSIDIES - (Statement of Performance)		Reclassified	
Operating		278 428	276 616
Seta	26.1	134 302	178 200
Arbor Day Award	26.7	104 126	98 416
MM forum	26.8	20 000	-
Tourism	26.5	20 000	-
Capital		79 090	73 480
Arbor Day Award	26.7	-	73 480
National Lottery Fund	26.3	-	-
Africana Centre	26.2	23 000	-
Asla Devco - Water meters Slangrivier	26.4	56 090	-
Total Operating Grants		278 428	276 616
Total Capital Grants		79 090	73 480
26.1 Seta			
Balance unspent at beginning of year		258 318	308 074
Current Year Receipts		371 946	128 443
Conditions met - transferred to revenue: Operating Expenses		(134 302)	(178 200)
Conditions still to be met - transferred to liabilities (refer note16.2)		495 962	258 318
This grant is utilised for various staff skills development programmes.			
26.2 Africana Centre			
Balance unspent at beginning of year		23 315	6 615
Current Year Receipts		-	16 700
Conditions met - transferred to revenue: Capital Expenses		(23 000)	-
Conditions still to be met - transferred to liabilities (refer note16.2)		315	23 315
This was utilised for maintenance and general expenditure.			
26.3 National Lottery Fund			
Balance unspent at beginning of year		303 227	303 227
Current Year Receipts		-	-
Conditions met - transferred to revenue: Operating Expenses		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.2)		303 227	303 227
This grant is earmarked for projects in previously disadvantaged areas.			
26.4 Asla Devco - Water Meters Slangrivier			
Balance unspent at beginning of year		273 400	273 400
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		(56 090)	-
Conditions still to be met - transferred to liabilities (refer note16.2)		217 310	273 400
This grant is used for the acquisition and installation of water meters in housing schemes			
26.5 Tourism			
Balance unspent at beginning of year		101 819	101 819
Current Year Receipts		20 000	-
Conditions met - transferred to revenue: Operating Expenses		(20 000)	-
Conditions still to be met - transferred to liabilities (refer note16.2)		101 819	101 819
This grant is earmarked for projects in previously disadvantaged areas			
26.6 Public Participation Strategy			
Balance unspent at beginning of year		60 000	60 000
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions still to be met - transferred to liabilities (refer note16.2)		60 000	60 000
This grant was used for heritage projects			
26.7 Arbor Day Award			
Balance unspent at beginning of year		128 104	300 000
Current Year Receipts		-	-
Conditions met - transferred to revenue: Capital Expenses		-	(73 480)
Conditions met - transferred to revenue: Operating Expenses		(104 126)	(98 416)
Conditions still to be met - transferred to liabilities (refer note16.2)		23 978	128 104
This grant was used for heritage projects			
26.8 Absa - MM forum			
Balance unspent at beginning of year		-	-
Current Year Receipts		20 000	-
Conditions met - transferred to revenue: Capital Expenses		-	-
Conditions met - transferred to revenue: Operating Expenses		(20 000)	-
Conditions still to be met - transferred to liabilities (refer note16.2)		-	-
This grant was used to finance catering for the MM forum			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
27. OTHER INCOME			
Included in other income is the following:			
			Reclassified
Capital Contribution: Water and electricity	2 135 844	962 628	
Capital Contribution: Sewerage	399 940	222 333	
Building plans	1 253 492	1 090 939	
Camping fees	12 315 918	11 135 726	
Commission	86 040	83 542	
Entrance fees	84 438	-	
Other Income	2 205 914	2 246 236	
Roadworthy Certificates	416 615	392 328	
Total	18 898 200	16 133 731	
28. EMPLOYEE RELATED COSTS			
			Reclassified
Salaries and wages	99 786 448	92 082 297	
Contributions for UIF, pensions and medical aids	21 647 756	20 013 880	
Workmens Compensation	828 687	756 504	
Travel, motor car, accomodation, subsistence and other allowance	8 972 913	7 584 497	
Housing benefits and allowance	1 159 439	1 141 727	
Overtime payments	5 218 976	3 973 495	
Contribution to provision for post-retirement medical aid benefits	5 721 664	6 282 001	
Contribution to long-service provision	1 440 663	1 533 000	
Contribution to provision for post-retirement ex-gratia	10 409	11 000	
Total Employee Related Costs	144 786 954	133 378 401	
Remuneration of the Municipal Manager			
Annual Remuneration	981 249	841 963	
Performance Bonus	128 830	180 449	
Travel Allowance	36 000	30 000	
Other (telephone, bargaining council etc)	99	8 121	
Leave	-	98 766	
Contributions to UIF, Medical and Pension Fund	169 409	167 049	
Total	1 315 587	1 326 348	
Remuneration of the Director Community Services			
Annual Remuneration	684 390	632 467	
Performance Bonus	96 916	116 366	
Travel Allowance	80 000	80 000	
Other (telephone, bargaining council etc)	7 300	7 292	
Contributions to UIF, Medical and Pension Fund	181 515	168 592	
Total	1 050 121	1 004 717	
Remuneration of the Director Technical Services			
Annual Remuneration	672 719	93 024	
Performance Bonus	16 622	24 284	
Travel Allowance	122 000	28 000	
Other (telephone, bargaining council etc)	27 005	1 223	
Leave	13 496	-	
Contributions to UIF, Medical and Pension Fund	55 416	24 233	
Total	907 258	170 764	
Remuneration of the Director Planning Services			
Annual Remuneration	863 611	801 041	
Performance Bonus	144 148	135 989	
Travel Allowance	60 000	60 000	
Other (telephone, bargaining council etc)	7 299	9 835	
Contributions to UIF, Medical and Pension Fund	181 801	168 590	
Total	1 256 859	1 175 455	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
28. EMPLOYEE RELATED COSTS (continued)			
Remuneration of the Director Financial Services			
Annual Remuneration		774 482	695 400
Performance Bonus		144 148	135 989
Travel Allowance		180 000	201 322
Long Service bonus		88 788	-
Other (telephone, bargaining council etc)		7 299	7 292
Contributions to UIF, Medical and Pension Fund		150 929	132 909
Total		1 345 646	1 172 912
Remuneration of the Director Corporate Services			
Annual Remuneration		834 065	770 651
Performance bonus		134 781	127 152
Long Service bonus		62 264	-
Other (telephone, bargaining council etc)		7 300	18 997
Contributions to UIF, Medical and Pension Fund		199 516	189 064
Total		1 237 926	1 105 864
The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:			
Post-employment Benefits:-			
Municipal Manager		-	639 399
Chief Financial Officer		612 531	289 340
Director: Corporate Services		497 979	172 258
Director: Planning		185 321	156 987
Director: Social		198 190	293 758
Total		1 494 021	1 551 742
Other Long-term Benefits:-			
Chief Financial Officer		-	88 777
Director: Corporate Services		45 362	79 526
Director: Planning		100 279	74 012
Director: Social		204 352	181 604
Director: Technical and Engineering Services		-	509
Total		349 993	424 428
Staff Leave Benefits:-			
Municipal Manager		63 244	27 676
Chief Financial Officer		55 528	66 202
Director: Corporate Services		30 829	7 497
Director: Planning		23 488	41 916
Director: Social		99 391	94 065
Director: Technical and Engineering Services		-	8 966
Total		272 479	246 322
29. REMUNERATION OF COUNCILLORS			
Executive Mayor		829 513	770 113
Deputy Executive Mayor		670 331	524 907
Speaker		670 331	622 621
Mayoral Committee Members		1 891 608	1 749 204
Councilors		3 140 247	2 817 042
		7 202 030	6 483 887
Ward committee's - see other expenses		-	-
Total Councilors' Remuneration		7 202 030	6 483 887
In-kind Benefits			
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time councilors. Each is provided with an office and secretarial support at the cost of the Council.			
Councilors allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.			
30. PROVISION FOR IMPAIRMENT OF DEBTORS			
Impairment loss on receivables		1 280 671	23 624 988
Bad debts written off		33 065 220	23 846 153
Total		34 345 891	47 471 141
The contribution consist of the following:			
Rates and service debtors		4 288 468	3 185 785
Traffic fines		30 057 423	44 285 356
Total		34 345 891	47 471 141

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018 R	2017 R
31. DEPRECIATION AND AMORTISATION	Restated	
PPE (Note 8)	30 022 625	25 572 591
Intangible assets (Note 9)	21 545	21 545
Total	30 044 169	25 594 136

32. REPAIRS AND MAINTENANCE	Reclassified	
Buildings	-	1 709 417
Electrical infrastructure	-	1 968 905
Roads/Stormwater infrastructure	-	3 832 187
Solid waste infrastructure	-	326 889
Waste water infrastructure	-	1 739 836
Water infrastructure	-	856 284
Furniture and office equipment	-	277 644
Machinery and equipment	-	1 096 049
Vehicles	-	4 169 812
Other assets	-	288 232
Total	-	16 265 255

33. FINANCE CHARGES		
Long-term liabilities	12 802 688	12 301 005
Other	6 019 367	5 421 540
Total	18 822 055	17 722 545

34. BULK PURCHASES	Reclassified	
Electricity	89 170 107	87 869 756
Water	191 907	-
Total	89 362 014	87 869 756

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Overberg water and "Korente Veterrivier Besproeiingsraad".

"Refer to note 58 - inventory consumed for the bulk purchase of water"

35. GENERAL EXPENSES	Reclassified	
Audit Fees - External	3 327 477	2 883 244
Commission	452 555	411 042
Insurance	1 212 439	389 272
Other	5 455 333	4 962 042
SALGA membership	1 368 357	1 317 305
Skills Development	1 116 965	1 007 979
Software license	1 645 368	1 386 715
Postage & Telephone	1 916 460	2 276 288
Printing & Stationery	121 475	43 828
Software assistance	1 635 552	1 482 720
Travelling & Subsistence	991 259	944 077
Vehicle Costs	775 717	1 019 300
Total	20 018 955	18 123 813

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank and Cash on Hand	50 530	47 230
Bank, cash and cash equivalents	219 809 769	211 731 860
Total	219 860 299	211 779 090

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
37. CASH GENERATED BY OPERATIONS			
			Restated / Reclassified
Surplus for the year	52 462 535	139 805 108	
Adjustments for:			
Depreciation and amortisation	30 044 169	25 594 136	
Gain on disposal of assets	(101 615)	(979 124)	
Gain on revaluation of investment property	(453 509)	(2 704 941)	
Donated property, plant and equipment	(141 699)	(900 000)	
Contribution to provision for impairment of debtors	34 345 892	47 471 141	
Increase/(decrease) in Retirement Benefit Liabilities	9 505 090	(865 090)	
Increase in Non-current Provisions	6 993 567	5 566 129	
Increase/(decrease) in operating lease liabilities	5 275	31 744	
(Increase)/decrease in operating lease assets	(60 700)	(113 329)	
Investment & Debtors Interest	(19 909 265)	(19 615 907)	
Interest paid	18 822 055	17 722 545	
Operating surplus before working capital changes:	131 511 796	211 012 412	
(Increase)/Decrease in inventories	375 086	230 263.55	
(Increase)/Decrease in debtors	(8 144 703)	(26 709 773)	
(Increase)/Decrease in other debtors	(30 269 513)	(31 003 951)	
Increase/(Decrease) in provisions	428 983	1 020 191	
Increase/(Decrease) in conditional grants and receipts	(8 570 539)	(48 716 110)	
Increase/(Decrease) in creditors	(3 065 464)	9 894 363	
(Increase)/Decrease in VAT	17 225	737 342	
Cash generated by operations	82 282 871	116 464 738	

38. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

38.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	1 368 357	1 317 305
Amount paid - current year	(1 368 357)	(1 317 305)
Balance at 30 JUNE 2018	-	-

38.2 PAYE and UIF

Opening Balance	-	-
Current year payroll deductions	17 621 449	15 019 856
Amount paid - current year	(17 621 449)	(15 019 856)
Balance at 30 JUNE 2018	-	-

38.3 Pension and Medical Aid deductions

Opening Balance	-	-
Current year payroll deductions	33 251 208	32 666 531
Amount paid - current year	(33 251 208)	(32 666 531)
Balance at 30 JUNE 2018	-	-

38.4 Audit Fees

Opening Balance	-	-
Current year Audit Fees	3 327 477	2 883 244
Amount paid - current year	(3 327 477)	(2 883 244)
Balance at 30 JUNE 2018	-	-

38.5 VAT

VAT input receivables and VAT output receivables are shown in Note 5. These returns have been submitted by the due date throughout the year.

38.6 Councillor's arrear Consumer Accounts

The following Councillor had arrear accounts outstanding for more than 90 days as at 30 JUNE 2018.

	Outstanding more than 90 days
Councillor JL Hartnick	27 526
Total councillor arrear consumer accounts	27 526

The councillor and municipality have a repayment agreement in terms of the policy of the municipality whereby amounts are being deducted from the monthly salary in order to settle the debt.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

39. Non-Compliance with Chapter 111 of the Municipal Finance Management Act

No known matters existed at reporting date.

The Municipality has developed a supply chain management policy, which was approved by Council.

40. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, THE PROCUREMENT PROCESS

In terms of section 36 of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements. During the year, deviations from the Municipality's Supply Chain Management Policy were noted and are summarised and disclosed in threshold totals as follows:

	30 JUNE 2018	30 JUNE 2018
	Number of Cases	R
<R2 000	466	537 906
Sole supplier	7	145 772
Emergency	260	196 270
Exceptional Circumstances	199	195 864
Impractical	-	-
R2 000 - R30 0000	329	2 509 487
Sole supplier	8	94 687
Emergency	124	738 212
Exceptional Circumstances	197	1 676 588
Impractical	-	-
R30 000 - R200 000	61	4 518 230
Sole supplier	6	511 299
Emergency	5	363 042
Exceptional Circumstances	50	3 643 889
Impractical	-	-
> R200 000	13	18 772 627
Sole supplier	1	829 478
Emergency	1	229 300
Exceptional Circumstances	11	17 713 849
Impractical	-	-
Total	869	26 338 250

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are VAT exclusive.

Department	Service	Provider	Reason for deviation	Amount
Technical Services	The repair of extensive flood damage to roads and stormwater in Heidelberg.	CJ Meyer (Meyer Beton)	The funds in the flood damage allocation had to be spend before 30 June 2018. Given time constraints and conditions set by grant funding it was recommended that there be deviated from the official procurement process.	4 085 082
Technical Services	The repair of extensive flood damage to roads and stormwater in Riversdale.	Benver Civil and Plant Hire	The funds in the flood damage allocation had to be spend before 30 June 2018. Given time constraints and conditions set by grant funding it was recommended that there be deviated from the official procurement process.	2 470 385
Technical Services	Appointment of consulting engineers for the design, implementation, construction monitoring and completion of various capital projects.	Various	This in an exceptional case and it is impractical or impossible to follow the official procurement processes.	5 173 796
Technical Services	Appointment of a consulting engineer to conclude flood damage construction related work.	WEC Consult (Pty) Ltd	This case it is impractical to follow the official procurement processes. Due to time constraints the Municipality will be exposed to substantial risks if the official processes are followed.	637 582
Technical Services	Geyser controll fees	Powertech System Integrators	Other brands are not compatible with the existing unit, and Powertech is the OEM of the geyser load control equipment and as such the only service provider that can maintain the system.	257 205
Corporate Services	Microsoft annual license fees	Microsoft Ireland Operations	Microsoft Enterprise is the sole provider of Windows and MS Office licenses. Pricing is fixed in terms of the agreement but subject to the Rand/Dollar exchange rate.	599 268
Financial Services	Printing and distribution of monthly municipal service accounts and newsletters	CAB Holdings (Pty) Ltd	The monthly service accounts need to be distributed to all account holders as per debtors policy. If accounts are not distributed, there is a risk that debtors will not pay their monthly service accounts.	341 875
Financial Services	Vending Services Management	Ontec Systems (Pty) Ltd	Circular 80 recommends that municipalities should not procure additional systems while MSCOA is being implemented. The services will therefore be rendered on a month-to-month basis until 30 June 2018.	484 404
Community Services	Conversion of one Isuzu chassis cab truck into a medium capacity fire fighting vehicle	Ramcom Trucks and load bodies (Pty) Ltd	Two tenders were received but both did not score the minimum required points for functionality. The cheapest tender was accepted and appointed.	492 126
Community Services	The provision of traffic law enforcement equipment, back-office system and related services.	Syntell (Pty) Ltd	It is an exceptional circumstance and it is impractical or impossible to follow the official tender process.	1 130 838

30 June 2017

	30 June 2017	30 June 2017
	Number of Cases	R
<R2 000	467	381 453
Sole supplier	2	2 461
Emergency	194	132 658

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018			2018	2017
			R	R
Exceptional Circumstances			271	246 335
Impractical			-	-
R2 000 - R30 0000			297	2 372 332
Sole supplier			4	47 531
Emergency			76	519 158
Exceptional Circumstances			217	1 805 643
Impractical			-	-
R30 000 - R200 000			46	3 530 357
Sole supplier			2	68 400
Emergency			7	535 111
Exceptional Circumstances			37	2 926 846
Impractical			-	-
> R200 000			6	3 529 984
Sole supplier			1	1 907 004
Emergency			-	-
Exceptional Circumstances			5	1 622 980
Impractical			-	-
Total			816	9 814 126

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are VAT exclusive.

Department	Service	Provider	Reason for deviation	Amount
Information Technology	Windows and MS Office licenses.	Microsoft Ireland Operations	Microsoft Enterprise Agreement, sole provider of Windows and MS Office licenses.	1 672 811
Finance	Extention of tender agreement of pre-paid electricity service provider.	Ontec Systems	National Treasury's circular 80 of 8 March 2016 recommends that municipalities should not procure additional systems while MSCOA is being implemented.	425 263
Finance	Budget tool	Business Connexion	That in terms of section 3.2.9 of the SCM policy, this deviation be approved since Business Connexion (Pty) Ltd is the sole provider of the budget tool for the Venus financial system.	331 140
Streets, Storm water, parks and Resorts	Recycling services for Albertinia, Heidelberg, Riversdal and Stilbaai by a contractor for 1 March 2017 - 30 June 2017.	Henque Waste	Henque waste is the current service provider for the provision of recycling services, in order to provide time to compile new specifications for this service the request for a deviation was submitted so that this service would not be interrupted.	257 435
Electrical Services	Monitoring of geyser burden management system.	Powertech System Integrators	Other brands are not compatible with the existing unit, and Powertech is the OEM of the geyser load control equipment and as such the only service provider that can maintain the system.	216 752
Streets, Storm water, parks and Resorts	Contract HES-WRS 04/1213 – the collection of recycling waste within the Hessequa municipal area.	Henque Waste	At the Portfolio Committee meeting the decision was made that Hessequa municipality will continue with the rendering of recycling services to the community and that this be workshopped with the council prior to the advertisement. Consequently the contract will lapse by the time of award and/or extension, therefore the reason for deviation.	193 076
Water, sewerage and sanitation	Repair two water pumps at Olice Grove Water works.	Hydro-Tech Systems	Exceptional case and it was impractical or impossible to follow the official procurement processes.	170 960
Electrical Services	Repair of loader CCC 5486 RD 0390 5J	M Briers Landboudienste	Service provider appointed by means of the rotation register.	164 473
Water, sewerage and sanitation	Repair and supply of material to upgrade the Dennedal Uf plant to a fully operational state.	Ikusasa Chemicals	The plant was out of commission and needed to be repaired urgently to provide water to the community.	143 040
Water, sewerage and sanitation	Removal of oxidation pond/liquid at Gouritzmond WWTW and safely disposing at Albertinia WWTW	Jetvac South Africa	Written correspondence received from the Department of Environmental Affairs and Development Planning indicated the concern of the capacity of the oxidation dam and the inherent risk of a spill-over and contamination of the environment. Therefore this service is considered an emergency.	131 578

41. RELATED PARTY TRANSACTIONS

41.1 Services rendered to Related Parties

During the year the municipality rendered services to related parties such as Councillors, Municipal Manager and Section 57 Personnel.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

41. RELATED PARTY TRANSACTIONS - (continued)

41.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councilors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 12 to the Annual Financial Statements.

41.3 Interest of Related Parties

Councillors and/or management of the municipality had no relationships with businesses during the financial period.

41.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councilors is set out in Notes 28 and 29 respectively, to the Annual Financial Statements.

41.5 Purchases from Related Parties

The municipality procured services from the following service providers, which are considered to be Related Parties as per the definition in the Supply Chain Management Policy:

Service Provider	Related Person	Capacity	Municipal Capacity	2018 R	2017 R
Stilbaai Panelbeaters	AJ Hopley	Owner	Foreman	26 659	64 844
Seasons Find 982 CC	YJ Daniels	Owner	Admin Clerk	118 000	246 000
Henna's Catering	E du Preez	Owner	Cashier/Clerk	121 955	65 128
JI Daries	H Daries (Resigned)	Owner	Care Taker	-	1 600
EJ Electrical	E Prins	Owner	Clerk: SCM, contracts	-	157 550
HAH Motors T/A Pro Motors	A Stroebeel	Owner	Councillor	379 101	328 342
La Bella Deli & Restaurant	AM Joubert	Owner	Councillor	-	14 000
CRR General Dealers	CJ Riddles	Owner	Handyman	10 500	43 066
N Cronje t/a WG Pompe	M Cronje	Owner	Head: Employee relations	543 130	57 498
Total				1 199 345	978 028

The transactions were concluded in compliance with the municipality's Supply Chain Management policy. The transactions are considered to be at arm's length.

42. COMMITMENTS FOR EXPENDITURE

Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Community

23 774 400	15 408 888
898 549	-
24 672 949	15 408 888
24 672 949	15 408 888
24 672 949	15 408 888

Total Capital Commitments

This expenditure will be financed from:

- Own funds, grants and subsidies and external finance

(Including VAT)

43. AFTER BALANCE SHEET EVENTS

No events having financial implications requiring disclosure occurred subsequent to 30 JUNE 2018.

44. RETIREMENT BENEFIT INFORMATION

The personnel of the Hessequa Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is a defined benefit fund, whereas the Cape Joint Retirement Fund, Municipal Councilors Fund, The Provident Fund and The National Fund for Municipal Workers are defined contribution funds. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

44.1 DEFINED BENEFIT SCHEMES

LA Retirement Fund (Previously Cape Joint Pension Fund)

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2017 disclosed an actuarial valuation amounting to R1,859,077,000 (30 June 2016 : R2,037,843,000), with a nett accumulated surplus of R46,989,000 (2016 : R67,791,000), with a funding level of 102.6% (30 June 2016 : 103.5%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R
44. RETIREMENT BENEFIT INFORMATION (continued)		

44.2 DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund

This scheme was established to accommodate the unique characteristics of contract employees and 'cost to company' employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

The actuarial valuation report at 30 June 2017 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R1,911,937,000.00 (30 June 2016 : R1,960,970,000.00), net investment reserve of R0 (30 June 2016 : R0) and with a funding level of 100% (2016 : 100%).

The actuary concluded that :

- The Pensioner account has a funding level of 102.6% with a surplus of R47.0 million and is in a sound financial condition as at the valuation date.
- There is a surplus of R47.0 million in The DB Section excluding The surplus in The Pensioner Account. The surplus has been allocated to The Pensioner Account.
- The overall funding level in respect of the DB Section including the Pensioner Account is 101.3% with a surplus of R47.0 million.
- The DC Section has a funding level of 100% and is in a sound financial condition.
- Overall the fund is in a sound financial condition with a surplus of R47.0 million and the overall funding level of 102.6%.
- The Trustees awarded a 3.3% pension increase effective 1 January 2018.

It is to be noted that :

- All the active members have now all been converted to the DC Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual DB Section active members, that have now also converted to the DC Section and
- Both the DC Section and the DB Section were fully funded as at the valuation date.

The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

The last statutory valuation performed as at 30 June 2016 revealed that the assets of the fund amounted to R20,075,000,000 (30 June 2015: R18,322,177,000), with funding levels of 118.0% and 100% (30 June 2015 112.1% and 100%) for the Pensions Account and the Share Account respectively. The Presevation Pension Account showed a suplus of R0 and was 100% funded for both 2016 & 2015. The contribution rate paid by the members (7.50%/9%) and the municipalities (19.50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

This scheme was established to accommodate the unique characteristics of contract employees and 'cost to company' employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

Municipal Councillors' Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13.75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assests of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short monatorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;.

SALA Pension Fund:

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2016 revealed that the assets of the fund amounted to R13,700,300.00 (30 June 2015 : R13,231,200.00), with funding levels of 100% (30 June 2015: 100%). The highest contribution rate paid by the members was 7.92% and by Council 20.78%.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

National Fund For Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The last statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R10,050,029,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948.000 (30 June 2011 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%.The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

45. GUARANTEES

Guarantees were issued in favor of Eskom in the amount of R70 200. The guarantees were given in lieu of a cash deposit, and if we do not pay the account, Eskom can encash the guarantee.

46. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind Donations and Assistance during the year under review.

47. CORRECTION OF ERRORS AND RECLASSIFICATIONS IN TERMS OF GRAP 3

Errors and other restatements in the prior years transactions were discovered and were corrected in the current year's financial statements. Details of these errors and restatements are as follows:

47.1 Property, Plant and Equipment

Balances as published as at 30 June 2017	736 758 077
LV electricity infrastructure improved unbundling - Infrastructure accumulated depreciation - Opening balance	(536 397)
LV electricity infrastructure improved unbundling - Infrastructure accumulated depreciation - Prior year	(48 078)
Correction of the useful lives of other assets - Other assets accumulated depreciation - Opening balance	14 982 786
Correction of the useful lives of other assets - Other assets accumulated depreciation - Prior year	533 443
Prior period change in estimates of useful lives incorrectly not performed - Buildings - Accumulated depreciation - Opening balance	177 424
Prior period change in estimates of useful lives incorrectly not performed - Buildings - Accumulated depreciation - Prior year	501 031
Prior period change in estimates of useful lives incorrectly not performed - Infrastructure - Accumulated depreciation - Opening balance	45 845
Prior period change in estimates of useful lives incorrectly not performed - Infrastructure - Accumulated depreciation - Prior year	(5 254)
Prior period change in estimates of useful lives incorrectly not performed - Community assets - Accumulated depreciation - Opening balance	33 005
Prior period change in estimates of useful lives incorrectly not performed - Community assets - Accumulated depreciation - Prior year	(4 063)
Corrections of accumulated depreciation - Infrastructure accumulated depreciation - Opening balance	42 555
Corrections of accumulated depreciation - Buildings accumulated depreciation - Opening balance	4 007
Restated balance as at 30 June 2017	752 484 382

47.2 Accumulated Surplus

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June.

Details of the appropriations are as follows:

Balance as published as at 30 June 2017	736 553 899
Correction of accumulated depreciation due to LV improved unbundling	(536 397)
Correction of accumulated depreciation due to the correction of the useful lives of other assets	14 982 786
Corrections of accumulated depreciation - Infrastructure accumulated depreciation - Opening balance	46 562
Effect of changes in the surplus for the previous financial year	977 079
Restated balance as at 30 June 2017 - Refer to note 22	752 280 204

47.3 Appropriations to the 2016/2017 surplus/deficit

Corrections were made to certain profit and loss accounts which affected the 2016/2017 year.

Surplus for the year as previously stated:		138 828 029
Depreciation and amortisation	LV electricity infrastructure improved unbundling	(48 078)
Depreciation and amortisation	Correction of the useful lives of other assets	533 444
Depreciation and amortisation	Correction of the useful lives change in estimate previously not performed	491 713
Restated balance as at 30 June 2017		139 805 108

47.4 Reclassification of Income and Expenses

Certain items of revenue and expenses have been reclassified in the prior year due to the implementation of mSCOA. Although the municipality was a pilot site for the implementation of mSCOA last year, the reclassifications could not have been done in the prior year as the necessary comparative information was not available. Reclassifications are as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R
47. CORRECTION OF ERRORS AND RECLASSIFICATIONS IN TERMS OF GRAP 3 (continued)		

	2017 R	2017 R	2017 R
	Restated	Reclassification	Previously reported
Revenue from non-exchange transactions			
Property Rates	70 987 819	-	70 987 819
Fines	66 507 156	-	66 507 156
Licences and permits	1 318 799	-	1 318 799
Income from Agency Services	1 986 815	-	1 986 815
Donated Property, Plant and Equipment	900 000	-	900 000
Transfers recognised - Operational	62 641 179	(95 770 684)	158 411 863
Transfers recognised - Capital	95 770 684	95 770 684	-
Gain on revaluation of Investment Property	-	(2 704 941)	2 704 941
Revenue from exchange transactions			
Service Charges	188 958 244	-	188 958 244
Rental of facilities and equipment	2 028 046	(11 135 726)	13 163 772
Interest earned - external investments	18 093 727	-	18 093 727
Interest earned - outstanding receivables	1 522 180	-	1 522 180
Other income	16 133 731	11 135 726	4 998 006
Gains on disposal of property, plant and equipment	-	(1 301 440)	1 301 440
Total Revenue	526 848 381	(4 006 380)	530 854 761
Expenditure			
Employee related costs	133 378 401	6 343 670	127 034 731
Remuneration of Councillors	6 483 887	-	6 483 887
Bad debts	23 846 153	(23 624 988)	47 471 141
Collection costs	-	(2 260 932)	2 260 932
Depreciation and Asset Impairment	25 594 136	(977 079)	26 571 215
Repairs and maintenance	-	(16 265 256)	16 265 256
Finance Charges	17 722 545	-	17 722 545
Bulk purchases	87 869 756	(5 807 699)	93 677 455
Loss on disposal of property, plant and equipment	-	(322 316)	322 316
Inventory Consumed	19 124 001	19 124 001	-
Transfers and Subsidies	865 317	865 317	-
Contracted services	38 735 468	31 587 130	7 148 338
General expenses	18 123 813	(28 945 104)	47 068 917
Totale expenditure	371 743 478	(20 283 255)	392 026 733
Operating surplus	155 104 903	16 276 874	138 828 029
Actuarial Gains	5 587 166	5 587 166	-
Gains/(Loss) on Sale of Fixed Assets	979 124	979 124	-
Impairment Loss on receivables	(23 624 988)	(23 624 988)	-
Water losses	(946 038)	(946 038)	-
Profit on Fair Value Adjustments	2 704 941	2 704 941	-
NET SURPLUS AS RESTATED	139 805 108	977 079	138 828 029

47.5 Reclassification of Consumer Deposits	
Consumer Deposits as previously reported	5 161 333
Reclassification of "other" deposits	1 282 293
Consumer Deposits as restated	6 443 626

48. CHANGE IN ACCOUNTING ESTIMATES
48.1 Property, Plant and Equipment

The useful life of certain property, plant and equipment approaching the end of its useful lives, have been revised by management in the current financial period. The effect of this revision has decreased the depreciation charges for the current year and increased the depreciation charge for future periods by R1,025,508.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018			2018	2017
			R	R
49. TRUST FUNDS				
Nature Development - Stilbaai			1 782 397	1 689 699
Elsje Koorts Tuberculosis Fund			250 180	231 648
Total Trust Funds			2 032 577	1 921 347
50. FINANCIAL INSTRUMENTS				
50.1 Classification of Financial Instruments				
FINANCIAL ASSETS				
Financial Assets		Classification		
In accordance with Grap 104 the Financial Assets of the municipality are classified as follows:				
Long-term Receivables				
Sport clubs/Pre-primary School	Note 12	Amortised cost	10 022	12 871
Consumer Debtors				
Electricity	Note 3	Amortised cost	16 604 680	15 848 406
Water	Note 3	Amortised cost	8 564 204	7 823 971
Sewerage	Note 3	Amortised cost	6 160 202	6 020 613
Waste Management	Note 3	Amortised cost	3 545 134	3 359 966
Other	Note 3	Amortised cost	5 443 978	5 342 557
Less: Provision for Impairment	Note 3	Amortised cost	(16 335 102)	(17 571 976)
Current Portion of Long-term Receivables				
Sport clubs/Pre-primary School	Note 12	Amortised cost	2 849	2 634
Cash and Cash Equivalents				
Call Deposits	Note 6	Amortised cost	216 414 954	200 359 524
Bank balances and Cash Floats	Note 6	Amortised cost	3 445 345	11 419 565
			243 856 266	232 618 132
SUMMARY OF FINANCIAL ASSETS				
Loans and Receivables:				
Long-term Receivables	Note 12	Sport clubs/Pre-primary School	10 022	12 871
Consumer Debtors	Note 3	Electricity	16 604 680	15 848 406
Consumer Debtors	Note 3	Water	8 564 204	7 823 971
Consumer Debtors	Note 3	Sewerage	6 160 202	6 020 613
Consumer Debtors	Note 3	Waste Management	3 545 134	3 359 966
Consumer Debtors	Note 3	Other	5 443 978	5 342 557
Consumer Debtors		Less: Provision for Impairment	(16 335 102)	(17 571 976)
Current Portion of Long-term Receivables	Note 12	Sport clubs/Pre-primary School	2 849	2 634
Bank, Cash and Cash Equivalents	Note 6	Bank Balances, Cash Floats and Advances	219 860 299	211 779 090
			243 856 266	232 618 132
TOTAL FINANCIAL ASSETS			243 856 266	232 618 132

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018			2018	2017
			R	R
50. FINANCIAL INSTRUMENTS - (continued)				
FINANCIAL LIABILITIES				
Financial Liabilities		Classification		
Long-term Liabilities				
Annuity Loans	Note 18	Amortised cost	94 133 984	111 556 514
Consumer Deposits				
Electricity, Water and Other	Note 13	Amortised cost	8 399 605	6 443 626
Creditors				
Trade Creditors	Note 15	Amortised cost	30 416 499	33 189 258
Retentions	Note 15	Amortised cost	5 932 347	7 526 915
Other Creditors	Note 15	Amortised cost	11 111 117	9 563 971
Current Portion of Long-term Liabilities				
Annuity Loans	Note 18	Amortised cost	17 420 948	15 737 596
			167 414 499	184 017 880

SUMMARY OF FINANCIAL LIABILITIES				
Long-term Liabilities	Note 18	Annuity Loans	94 133 984	111 556 514
Consumer Deposits	Note 13	Electricity, Water and Other	8 399 605	6 443 626
Creditors	Note 15	Trade Creditors	30 416 499	33 189 258
Creditors	Note 15	Retentions	5 932 347	7 526 915
Creditors	Note 15	Other Creditors	11 111 117	9 563 971
Current Portion of Long-term Liabilities	Note 18	Annuity Loans	17 420 948	15 737 596
TOTAL FINANCIAL LIABILITIES			167 414 499	184 017 880

50.2 Fair Value of Financial Instruments

In accordance with GRAP 104, the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statement approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors. (All carrying amounts listed below = fair value and no disclosure of fair value is required when the carrying amount of financial instruments is a reasonable approximation of fair value)

	30 JUNE 2018		30 JUNE 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Loans and Receivables				
Long-term Receivables	243 856 266	243 856 266	232 618 132	232 618 132
Call Deposits	10 022	10 022	12 871	12 871
Consumer Debtors	216 414 954	216 414 954	200 359 524	200 359 524
Bank Balances and Cash	23 983 096	23 983 096	20 823 537	20 823 537
Current Portion of Long-term Receivables	3 445 345	3 445 345	11 419 565	11 419 565
	2 849	2 849	2 634	2 634
Total Financial Assets	243 856 266	243 856 266	232 618 132	232 618 132
FINANCIAL LIABILITIES				
Loans and receivables:				
<u>Unsecured Bank Facilities:</u>				
- Annuity Loans	111 554 932	111 554 932	127 294 110	127 294 110
	111 554 932	111 554 932	127 294 110	127 294 110
Trade and Other Payables:				
Consumer Deposits	55 859 567	55 859 567	56 723 770	56 723 770
Creditors	8 399 605	8 399 605	6 443 626	6 443 626
	47 459 962	47 459 962	50 280 143	50 280 143
Total Financial Liabilities	167 414 499	167 414 499	184 017 880	184 017 880

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

50. FINANCIAL INSTRUMENTS - (continued)

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

50.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 19, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus and the Statement of Changes in Net Assets.

50.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect or each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

50.5 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

50.6 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

50.7 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term deposit investments, other debtors, short-term investment deposits and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

50.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

50. FINANCIAL INSTRUMENTS - (continued)

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Average effective interest rate	Within 1 year	2 - 5 years	More than 5 Years	Total
	%	R	R	R	R
30 JUNE 2018					
Development Bank	8.90% - 11.56%	11 731 872	33 222 627	4 008 512	48 963 011
ABSA	10.20%	3 236 975	12 947 899	12 939 278	29 124 152
Nedbank	9.01%	3 783 945	11 351 836	-	15 135 781
First National Bank	11.40%	2 520 900	2 520 900	-	5 041 799
Standard Bank	11.26%	7 274 239	29 096 956	21 827 960	58 199 155
Trade Creditors	0%	30 416 499			30 416 499
Retentions	0%	5 932 347			5 932 347
Other Creditors	0%	11 111 117			11 111 117
		76 007 893	89 140 218	38 775 749	203 923 860
30 JUNE 2017					
Development Bank	8.90% - 11.56%	11 734 207	38 455 094	10 514 951	60 704 252
ABSA	10.20%	3 236 975	12 947 899	16 184 874	32 369 748
Nedbank	9.01%	3 783 945	15 135 781	-	18 919 726
First National Bank	11.40%	2 520 900	5 041 799	-	7 562 699
Standard Bank	11.26%	7 274 239	29 096 956	29 086 574	65 457 770
Trade Creditors	0%	33 189 258			33 189 258
Retentions	0%	7 526 915			7 526 915
Other Creditors	0%	9 563 971			9 563 971
		78 830 409	100 677 529	55 786 399	235 294 338

The municipality has access to financing facilities. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

50.9 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	12 872	15 505
Consumer Debtors	23 983 095	20 823 537
Other Debtors	7 171 575	6 319 284
Bank and Cash Balances	219 860 299	211 779 090
Maximum interest and credit risk exposure	251 027 840	238 937 415

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R
51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		

51.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	2 774 641	10 599 794
Unauthorised expenditure current year - capital	-	300 730
Unauthorised expenditure current year due to budget exceeded - operating	862 201	2 473 911
Approved by Council	(2 774 641)	(10 591 142)
Amount allocated to incorrect department prior year - not unauthorised	-	(8 652)
Unauthorised expenditure awaiting authorisation:	862 201	2 774 641

The recoverability of the unauthorised expenditure will be determined by Council after an investigation by a Council Committee in terms of Section 32 of the MFMA

Operating budget

	2018 R Budget	2018 R Actual	2018 R Variance	2018 R Unauthorised
Office of the MM	30 137 962	31 000 163	862 201	862 201
Corporate Services	40 092 276	35 396 373	(4 695 903)	
Financial Services	27 809 106	24 279 911	(3 529 195)	
Community Services	75 383 337	62 857 973	(12 525 364)	
Technical Services	251 025 878	240 220 349	(10 805 529)	
Spatial Planning & Environmental Management	11 513 309	10 818 194	(695 115)	
Total	435 961 868	404 572 962	(31 388 906)	862 201

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (Continued)

51.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	261 879	279 012
Telkom switchboard and subscription not used	409 029	
Electricity losses above the threshold (Refer note 52)	-	-
Water losses above the threshold (Refer note 52)	-	261 879
Fruitless and Wasteful Expenditure awaiting condonement	670 908	540 891
Less: Approved by Council on 25 July 2018	(670 908)	(279 012)
Fruitless and wasteful expenditure awaiting authorisation:	-	261 879

Council resolved, after a Section 32 Committee investigation, that expenditure for the amount of R670 908 be certified as irrecoverable and be written off.

51.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	1 680 996
Irregular expenditure current year:		
- Vanguard fire and safety Cape - PPPFA, Regulation 8(5)	79 220	
- Administrative irregularities in the award of tender	1 150 976	
- Adopting alternative solution from Vox	377 842	
- Payment of acting allowance	79 514	
Written off by council on 25 July 2018	(1 608 332)	(1 680 996)
Irregular expenditure awaiting council approval	79 220	-

Council resolved, after a Section 32 Committee investigation, that expenditure for the amount of R1 608 332 be certified as irrecoverable and be written off.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018		2018	2017
		R	R
52. MATERIAL LOSSES			
Electricity distribution losses			
- Units purchased (Kwh)		91 314 146	89 513 700
- Units lost during distribution (Kwh)		9 770 776	8 290 400
- Percentage lost during distribution		10.70%	9.26%

Electricity losses can be placed in two categories, namely Technical and Non-Technical losses.

Technical losses are the losses within the distribution network caused by the resistance to the flow of electricity forming part of items such as overhead lines, cables and transformers. Since Hessequa Municipality provides power to a number of towns (holiday destinations), with a very low load factor, which is also developed along the coast in long narrow sections resulting in long radial electrical feeders, the technical losses are higher than that of the other towns. Faulty meters are replaced as soon as they are reported.

Non-Technical losses are due to:

- Illegal connections
- Electricity theft
- Tampering with meters
- Meters not read correctly
- Faulty meters
- By-passing of meters

NERSA indicated that a 12% loss is regarded as normal.

Water Inventory			
The following losses were calculated during the comparison of water purchases against water sales:			
Riversdale			
Kiloliters purchased		870 135	954 542
Movement in stock		-	-
Kiloliters sold		812 042	867 385
Kiloliters lost in distribution		58 093	87 157
Percentage loss in distribution		6.68%	9.13%
Cost per kiloliter		R 0.57	R 0.50
Total cost in Rand		33 113	43 579
Heidelberg and Witsand			
Kiloliters purchased		549 901	590 597
Movement in stock		-	-
Kiloliters sold		457 668	502 303
Kiloliters lost in distribution		92 233	88 294
Percentage loss in distribution		17%	15%
Cost per kiloliter		R 8.08	R 7.72
Total cost in Rand		745 240	681 630
Slangrivier			
Kiloliters purchased		85 689	97 037
Movement in stock		-	-
Kiloliters sold		73 272	69 510
Kiloliters lost in distribution		12 417	27 527
Percentage loss in distribution		14%	28%
Cost per kiloliter		R 8.69	R 8.02
Total cost in Rand		107 904	220 767
Total amount of water losses		886 257	945 975

Water losses above the 12% threshold, will be considered to be distribution losses.

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repairs as soon as they are reported. The loss of water is further indicative of ageing infrastructure assets requiring improved maintenance and upgrading. Council is however currently investigating further possibilities to reduce the loss. The water infrastructure is very old, and millions of Rands is required to finance the backlog.

53. CONTINGENT LIABILITIES

Save for the normal handovers of outstanding debtors accounts, litigation that Council was involved in, is as follows:

Case	Evaluation	R
DB Joubert v HM	Applicant claimed damages from the Municipality regarding flood damage suffered a number of years ago. The matter is still ongoing and the Municipality has appointed Attorneys in this regard. R14 708 have already been paid but further costs will be incurred.	20 000
S Pain v HM	Applicant is claiming damages from the Municipality.	30 000

54. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors and reclassifications (Note 47).

55. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2017 the Council adopted the 2017/18 Budget, which indicated that the Budget was cash backed for the period. Financial constraints to finance capital projects, will be resolved by selling parts of Municipalities land.

(ii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iii) As the municipality has the power to levy fees, tariffs and charges, this will result in an on going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

56. BUDGET COMPARATIVE NOTES

Reasons for material variances between Approved Budget and Actual Amounts on the various items disclosed in the Statement of Comparison of Budget and Actual amounts, are explained below:

Revenue - Refer to Appendix E (1) for additional information

Rev1	Fines issued are less than envisaged.
Rev2	Increased revenue on vehicle registration fees
Rev3	Housing grant funds received less than budgeted for. SETA grant (R914 497) not spend
Rev4	Unspent Drought relief Grant (R7 500 000) and Desalination Plant unspent (R4 500 000)
Rev5	More rentals received than anticipated.
Rev6	Interest rates more favourable - more investment funds available because of poor capital spending.
Rev7	Increase in outstanding debtors.
Rev8	Increase in Building Plan revenue (R646 553), Camping Fees (R1 665 357) and Capital Contribution - Electricity (R1 278 418)
Rev9	Land sales not realised.

Expenditure - Refer to Appendix E (1) for additional information

Exp1	Unbundling done only by year-end and underspending on projects resulting in lower depreciation.
Exp2	Saving on fuel budget (R623 055) and water purchases budget (R2 468 255)
Exp3	Housing projects not completed with unspent funds of R9 131 152 at year end. Saving on budgeted items for Consultants (R765 069)
Exp4	Less spent on SETA training, telephone, postage, learner internships, software license fees and vehicle insurance. WCA expenditures of R1m transferred to employee related costs, while the budget amount reflects under general expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018	2018	2017
	R	R

56. BUDGET COMPARATIVE NOTES (Continued)

Assets

- Fp1 Inventory less because of more stock issues than budget.
 Fp2 More cash available due to underspending on the capital budget.

Liabilities

- Fp3 Deposits more because of reclassification from creditors.
 Fp4 The budget includes unspent grants.
 Fp5 Unspent grants and receipts are included in creditors
 Fp6 The budget is understated because of uncertainty of raising of an external loan
 Fp7 Council did not raise an external loan
 Fp8 Accumulated surplus is more than expected because of the correction of accumulated depreciation in the prior year, more revenue collected than budgeted and expenditure less than budgeted.

Cash Flow

- Cf1 Revenue from traffic fines less than expected.
 Cf2 Housing allocation less than expected and promulgated. No spending on desalination plant.
 Cf3 Underspending on various votes as well as housing projects.
 Cf4 Interest rates more favourable and more investment funds available because of low capital spending.
 Cf5 Underspending of the capital budget.
 Cf6 Land sales not realised.
 Cf7 Variation as a result of reclassification of "other" deposits.
 Cf8 Underspending of the capital budget, result in more cash for investment.

Capital - Refer to Appendix E (2) for additional information

- Cap1 Underspending on Vehicle Store - Stillbay, mess halls for workers in Slangrivier and Witsand.
 Cap2 Underspending on public conveniences, sport fields and cemeteries
 Cap3 Underspending on fire brigade
 Cap4 Underspending on reseal of Van Riebeeck Street, Riversdale and upgrading of Strand Street, Jongensfontein.
 Cap5 Underspending on reseal of streets in camps.
 Cap6 Underspending on sewerage projects in Stillbay, Gouritsmond and Albertinia.
 Cap7 Underspending on infrastructure projects in Heidelberg, Riverdale, Witsand and Slangrivier.

Appendix A - Unaudited

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30-Jun-17 R	Received during the period R	Redeemed written off during the period R	Balance at 30-Jun-18 R
Annuity Loans							
Development Bank	10.50%	12007420	2021	11 550 561	-	(2 462 929)	9 087 632
Absa Bank	10.20%	4068858722	2027	20 000 000	-	(1 218 877)	18 781 123
First National Bank	11.40%	4-000-019-445-833	2020	6 255 204	-	(1 858 740)	4 396 464
Development Bank	11.56%	103465	2019/06	2 827 027	-	(1 332 039)	1 494 987
Nedbank	9.01%	7831031707	2022/06	14 903 096	-	(2 472 645)	12 430 452
Development Bank	8.90%	61007148	2023/06	11 375 984	-	(1 506 592)	9 869 391
Development Bank	9.98%	12007830	2024/06	19 872 769	-	(2 081 290)	17 791 479
Standard Bank	11.26%	280033036	2026/06	40 509 470	-	(2 806 067)	37 703 404
Total External Loans				127 294 111	-	(15 739 178)	111 554 932

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2018

	Cost								Accumulated Depreciation and - impairments				
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land	165 573 047	8 000	-	-	-	-	(188 000)	165 393 047	18 171 519	-	-	18 171 519	147 221 528
Buildings	56 891 793	1 684 711	-	-	4 075	-	-	58 580 579	28 281 140	3 025 857	-	31 306 997	27 273 582
	222 464 840	1 692 711	0	-	4 075	-	(188 000)	223 973 626	46 452 659	3 025 857	-	49 478 516	174 495 110
Investment Property													
Land and Buildings	70 995 100	-	-	453 509	-	-	(221 100)	71 227 509	-	-	-	-	71 227 509
	70 995 100	-	-	453 509	-	-	(221 100)	71 227 509	-	-	-	-	71 227 509
Intangible Assets													
Water Rights	400 000	-	-	-	-	-	-	400 000	114 444	13 333	-	127 777	272 223
Software	57 480	-	-	-	-	-	-	57 480	22 581	8 211	-	30 793	26 687
	457 480	-	-	-	-	-	-	457 480	137 025	21 545	-	158 570	298 910
Infrastructure													
Sewerage													
Purification	63 889 324	200 000	-	-	11 792 827	8 285 147	-	84 167 298	10 946 034	1 948 007	-	12 894 041	71 273 258
Outfall Sewerage	6 537 566	20 714	-	-	114 684	-	-	6 672 963	4 473 301	337 892	-	4 811 193	1 861 771
Reticulation	57 742 157	-	-	-	3 469 025	(23 177 229)	-	38 033 953	7 196 220	628 625	-	7 824 845	30 209 108
Water													
Water Meters	4 360 672	-	-	-	-	-	-	4 360 672	1 301 999	145 764	-	1 447 763	2 912 909
Reticulation Network	37 519 831	4 826 872	-	-	2 452 609	(225 600)	-	44 573 711	7 066 514	1 396 173	-	8 462 686	36 111 025
Pump Stations	2 332 150	-	-	-	195 926	-	-	2 528 076	1 395 847	138 094	-	1 533 941	994 134
Purification Works	2 638 757	1 049 437	-	-	399 892	(1 095 637)	-	2 992 449	1 676 974	122 094	-	1 799 067	1 193 381
Reservoirs/Tanks	27 535 921	1 099 928	-	-	587 628	3 159 685	-	32 383 162	7 030 232	737 945	-	7 768 177	24 614 985
Electricity													
Power Stations	582 523	-	-	-	-	(305 450)	-	277 073	150 132	20 660	-	170 792	106 281
Transformer Kiosks	5 862 530	-	-	-	-	52 044	-	5 914 574	920 433	126 165	-	1 046 597	4 867 977
Substations	42 270 502	0	-	-	7 352 000	0	-	49 622 502	2 578 276	1 045 200	-	3 623 476	45 999 026
Streetlights	9 373 207	0	-	-	-	1 083 283	-	10 456 490	2 391 859	342 552	-	2 734 411	7 722 079
Electricity Meters	750 456	-	-	-	342 592	(449 118)	-	643 930	0	12 054	-	12 054	631 876
Mains	47 458 343	0	-	-	879 711	(380 759)	-	47 957 295	7 267 376	983 417	-	8 250 793	39 706 502
Solid Waste	1 406 648	44 234	-	-	-	-	-	1 450 882	688 484	58 757	-	747 241	703 641

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2018

	Cost								Accumulated Depreciation and - impairments				
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Roads and Stormwater													
Motorways	195 985 445	7 472 830	-	-	2 300 169	16 751 604	-	222 510 049	25 394 087	5 369 781	-	30 763 868	191 746 182
Stormwater	54 303 595	-	-	-	436 510	(3 952 070)	-	50 788 036	12 808 257	1 452 452	-	14 260 709	36 527 327
Parking Areas	878 340	99 258	-	-	21 324	-	-	998 922	90 583	23 442	-	114 025	884 897
Footpaths	4 888 970	99 809	-	-	13 195	533 924	-	5 535 898	1 768 447	154 089	-	1 922 536	3 613 362
	566 316 936	14 913 082	-	-	30 358 092	279 825	0	611 867 935	95 145 053	15 043 162	-	110 188 216	501 679 719
Community Assets													
Cemeteries	2 378 845	105 300	-	-	490 000	-	(36 092)	2 938 053	568 475	48 834	(36 071)	581 239	2 356 814
Sport Grounds	15 555 267	-	-	-	18 312	-	-	15 573 579	6 724 100	690 062	-	7 414 162	8 159 416
Parks	7 089 796	333 599	-	-	16 352	0	-	7 439 747	3 392 818	299 772	-	3 692 589	3 747 158
Public Conveniences	1 784 696	1 864 359	-	-	41 935	(279 825)	-	3 411 166	172 622	124 980	-	297 603	3 113 564
	26 808 605	2 303 259	-	-	566 598	(279 825)	(36 092)	29 362 546	10 858 016	1 163 649	(36 071)	11 985 594	17 376 952
Heritage Assets													
Mayoral chains	30 000	-	-	-	-	-	-	30 000	-	-	-	-	30 000
Art Collections, antiquities and exhibits	8 291 875	-	-	-	-	-	-	8 291 875	-	-	-	-	8 291 875
	8 321 875	-	-	-	-	-	-	8 321 875	-	-	-	-	8 321 875

Appendix B - Unaudited

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2018

	Cost								Accumulated Depreciation and - impairments				
	Opening Balance	Additions	IGRAP 2 Adjustments	Fair Value Adjustment	Under Construction additions	Transfers due to unbundling	Disposals Transfer	Closing Balance	Opening Balance	Additions - Depreciation	Disposals - Depreciation	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Other Assets													
Emergency Equipment													
Emergency	1 547 523	415 139	-	-	-	-	-	1 962 662	237 824	78 583	-	316 407	1 646 255
Plant&Equipment													
Graders and Frontloaders	5 494 364	-	-	-	-	-	-	5 494 364	2 116 574	333 939	-	2 450 513	3 043 851
Tractors	2 506 956	594 783	-	-	-	-	-	3 101 739	1 210 449	191 021	-	1 401 470	1 700 269
Boats	40 000	-	-	-	-	-	-	40 000	17 311	2 667	-	19 978	20 022
Lawnmowers	1 491 870	119 844	-	-	-	-	(10 839)	1 600 876	598 589	84 310	(10 620)	672 279	928 597
Compressors	69 422	-	-	-	-	-	-	69 422	36 539	3 702	-	40 241	29 181
Other Plant and Equipment	10 353 043	1 350 373	-	-	-	-	(13 163)	11 690 253	2 623 149	608 448	(13 143)	3 218 454	8 471 799
MotorVehicles													
Sedans	945 030	917 134	-	-	-	-	-	1 862 164	410 081	87 846	-	497 928	1 364 236
Motor Cycles	100 421	-	-	-	-	-	-	100 421	52 014	5 251	-	57 266	43 156
Trailers	2 185 241	-	-	-	-	-	-	2 185 241	793 600	106 981	-	900 581	1 284 660
Trucks/LDV's	27 051 516	6 035 827	-	-	-	-	-	33 087 342	8 188 267	1 509 615	-	9 697 883	23 389 460
Office Equipment													
Computer Equipment	5 196 582	1 421 077	-	-	-	-	(119 864)	6 497 795	1 268 139	373 151	(108 011)	1 533 279	4 964 516
Other Equipment	864 838	76 689	-	-	-	-	(10 904)	930 623	276 518	46 673	(10 867)	312 325	618 299
Office Machines	3 132 642	-	-	-	-	-	(136 328)	2 996 314	1 060 176	178 944	(127 859)	1 111 260	1 885 054
Furniture and Fittings	6 113 971	1 518 099	-	-	8 050	-	(92 408)	7 547 712	1 679 992	261 589	(85 199)	1 856 382	5 691 330
Security Equipment													
Security	165 345	4 948	-	-	-	-	-	170 293	55 515	13 685	-	69 200	101 092
Landfill site rehabilitation													
Landfill site rehabilitation	58 939 176	-	(10 331 261)	-	-	-	-	48 607 915	16 223 474	6 903 551	-	23 127 026	25 480 889
	126 197 941	12 453 912	(10 331 261)	-	8 050	-	(383 506)	127 945 135	36 848 213	10 789 956	(355 699)	47 282 470	80 662 665
TOTAL	1 021 562 776	31 362 964	(10 331 261)	453 509	30 936 816	0	(828 698)	1 073 156 106	189 440 966	30 044 169	(391 769)	219 093 366	854 062 740

Appendix C - Unaudited

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2018

									Accumulated Depreciation				Carrying Value 30/06/2018
	Opening Balance 1/7/2017	Additions	Under Construction	IGRAP 2 Adjustment	Fair Value Adjustment	Disposals	Transfers due to unbundling	Closing Balance 30/06/2018	Opening Balance 1/7/2016	Additions	Disposals	Closing Balance 30/06/2018	
	R	R	R			R		R	R	R	R	R	R
COMMUNITY & SOCIAL SERVICES	42 394 950	878 904	-	-	490 000	(16 929 607)	(58 071)	26 776 176	6 335 356	704 925	(57 876)	6 982 404	19 793 772
CORPORATE SERVICES	245 037 118	3 047 244	-	453 509	123 243	233 589	(515 056)	248 379 647	37 689 196	2 211 372	(94 942)	39 805 626	208 574 021
ELECTRICITY	113 020 323	558 186	-	-	8 574 302	-	(8 171)	122 144 640	15 477 609	2 774 985	(8 130)	18 244 464	103 900 176
ENVIRONMENTAL PROTECTION	83 283	-	-	-	-	-	-	83 283	21 481	5 352	-	26 833	56 450
EXECUTIVE AND COUNCIL	3 977 362	374 051	-	-	-	-	(79 009)	4 272 404	1 005 879	250 855	(69 761)	1 186 973	3 085 431
OTHER	373 119	8 280	-	-	-	-	(16 827)	364 572	143 063	16 334	(16 824)	142 573	221 999
HOUSING	15 512	-	-	-	-	-	-	15 512	244	714	-	958	14 554
PLANNING AND DEVELOPMENT	451 948	54 330	-	-	-	-	(18 804)	487 475	182 985	22 943	(18 701)	187 227	300 248
PUBLIC SAFETY	5 160 061	2 391 992	-	-	-	-	(29 745)	7 522 308	1 094 043	294 999	(29 715)	1 359 327	6 162 981
ROAD TRANSPORT	270 580 164	10 148 868	-	-	2 300 169	19 089 501	(17 403)	302 101 299	48 950 263	8 261 901	(17 167)	57 194 997	244 906 302
SPORTS AND RECREATION	83 680 634	6 858 923	-	-	-	(8 397 147)	(71 819)	82 070 591	17 161 760	2 314 645	(64 898)	19 411 507	62 659 084
WASTE MANAGEMENT	183 297 477	49 381	(10 331 261)	-	15 813 046	1 870 380	(3 499)	190 695 524	42 437 567	10 576 500	(3 488)	53 010 580	137 684 944
WATER	73 490 823	6 992 805	-	-	3 636 055	4 133 284	(10 293)	88 242 675	18 941 519	2 608 646	(10 269)	21 539 896	66 702 779
TOTAL	1 021 562 776	31 362 964	(10 331 261)	453 509	30 936 816	0	-828 698	1 073 156 106	189 440 966	30 044 169	(391 769)	219 093 366	854 062 740

Appendix D - Unaudited

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

(including inter-departmental charges)

2017				2018		
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
35 966 118	21 376 815	14 589 303	Executive And Council	38 427 893	28 428 095	9 999 798
-	1 179 793	(1 179 793)	Internal Audit	-	1 271 580	(1 271 580)
112 899 444	39 959 318	72 940 126	Finance And Administration	115 037 950	48 908 923	66 129 027
2 855 009	8 240 193	(5 385 184)	Planning And Development	4 757 270	9 377 432	(4 620 161)
7 632 868	15 139 569	(7 506 701)	Community And Social Services	8 493 645	16 244 443	(7 750 798)
16 834 025	17 762 395	(928 371)	Housing	11 081 202	12 058 341	(977 138)
1 020 475	3 813 102	(2 792 627)	Public Safety	981 836	4 861 679	(3 879 844)
572 768	1 589 747	(1 016 979)	Environmental Protection	474 821	1 556 886	(1 082 066)
11 474 316	20 285 650	(8 811 334)	Sport And Recreation	11 817 460	21 659 111	(9 841 651)
158 349 591	90 063 902	68 285 689	Road Transport	47 270 973	76 189 893	(28 918 920)
24 214 385	23 658 446	555 939	Waste Water Management	11 524 617	26 224 313	(14 699 696)
12 953 615	26 192 917	(13 239 302)	Waste Management	15 613 078	29 218 052	(13 604 974)
36 427 111	27 139 796	9 287 315	Water Management	36 953 819	29 419 693	7 534 126
140 348 263	124 267 166	16 081 097	Energy Sources	185 681 413	129 070 632	56 610 781
-	1 074 071	(1 074 071)	Other	19 997	1 184 364	(1 164 367)
561 547 988	421 742 880	139 805 108	Sub total	488 135 974	435 673 437	52 462 537
(31 015 542)	(31 015 542)	-	Less inter-departmental charges	(31 100 476)	(31 100 476)	-
530 532 446	390 727 338	139 805 108	Total	457 035 498	404 572 961	52 462 537
test						
-530 532 445.87	-390 727 337.95	-139 805 107.92		-457 035 497.00	-404 572 961.53	-52 462 535.47
0.23	0.39	-0.13 difference		1.48	-0.17	1.65

Appendix D (i) - Unaudited

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

(excluding inter-departmental charges)

	INCOME					EXPENDITURE				
	Budget	Amendments	Final Budget	Actual	Variance	Budget	Amendments	Final Budget	Actual	Variance
Executive And Council	38 891 302	20 000	38 911 302	38 427 893	(483 409)	27 013 913	240 000	27 253 913	28 428 095	1 174 182
Internal Audit	-	-	-	-	-	1 430 619	-	1 430 619	1 271 580	(159 039)
Finance And Administration	87 156 956	-	87 156 956	100 038 503	12 881 547	54 140 775	9 600	54 150 375	47 613 975	(6 536 400)
Planning And Development	4 245 000	-	4 245 000	4 757 270	512 270	9 747 494	-	9 747 494	9 377 432	(370 062)
Community And Social Services	8 961 412	-	8 961 412	8 493 645	(467 767)	18 219 343	(246 000)	17 973 343	15 274 401	(2 698 942)
Housing	20 171 143	-	20 171 143	11 081 202	(9 089 941)	21 519 035	(40 000)	21 479 035	12 058 341	(9 420 694)
Public Safety	1 251 000	-	1 251 000	981 836	(269 164)	4 529 500	293 920	4 823 420	4 861 679	38 259
Environmental Protection	522 731	-	522 731	474 821	(47 910)	1 817 518	-	1 817 518	1 556 886	(260 632)
Sport And Recreation	10 750 507	-	10 750 507	11 817 460	1 066 953	19 941 679	(55 400)	19 886 279	17 188 811	(2 697 468)
Road Transport	57 305 425	-	57 305 425	47 099 169	(10 206 256)	83 469 788	(174 840)	83 294 948	76 035 305	(7 259 643)
Waste Water Management	31 099 640	-	31 099 640	11 303 871	(19 795 769)	21 362 744	48 000	21 410 744	20 036 143	(1 374 601)
Waste Management	15 162 760	-	15 162 760	15 390 357	227 597	28 277 732	121 220	28 398 952	28 558 688	159 736
Water Management	53 305 834	-	53 305 834	34 488 933	(18 816 901)	25 933 802	(174 600)	25 759 202	24 510 800	(1 248 402)
Energy Sources	131 865 916	-	131 865 916	172 660 542	40 794 626	117 136 199	(1 900)	117 134 299	116 616 461	(517 838)
Other	121 819	-	121 819	19 997	(101 822)	1 401 727	-	1 401 727	1 184 364	(217 363)
Total	460 811 445	20 000	460 831 445	457 035 499	(3 795 946)	435 941 868	20 000	435 961 868	404 572 962	(31 388 906)
TEST										
	-460 811 445	-20 000	-460 831 445	-457 035 497	3 795 948	-435 941 868	-20 000	-435 961 868	-404 572 962	31 388 906

APPENDIX E (1) - Unaudited

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2018

	2018 Actual R	2018 Budget R	2018 Variance R	2018 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
Revenue					
Property Rates	78 148 577	76 330 839	1 817 738	2.38	
Service charges	201 488 590	197 276 277	4 212 313	2.14	
Rental of facilities and equipment	2 607 264	1 821 048	786 216	43.17	More rentals received than anticipated
Interest earned - external investments	17 958 842	4 828 000	13 130 842	271.97	Interest rates more favourable. More investment funds available because of poor capital spending.
Interest earned - outstanding debtors	1 950 423	1 392 917	557 506	40.02	Increase in outstanding debtors.
Fines	38 417 424	41 208 474	(2 791 050)	(6.77)	Fines issued are less than envisaged.
Licences and permits	1 420 287	1 396 986	23 301	1.67	
Donated property, plant and equipment	141 699	133 700	7 999	5.98	
Contributed Asset					
Income for agency services	2 218 473	1 950 411	268 062	13.74	Increased revenue on vehicle registration fees
Government grants and subsidies - Operational	60 345 573	71 302 018	(10 956 445)	(15.37)	Housing grant funds received less than budgeted for.
Government grants and subsidies - Capital	32 885 020	45 705 362	(12 820 342)	(28.05)	Unspent Grants: Drought Relief (R7 500 000), Agent Francaise Development - Desalination Plant (R4 500 000)
Gain on revaluation of investment property	-	-	-		
Other Income	18 898 200	14 985 413	3 912 787	26.11	Increase in Building Plan revenue (R646 553), Camping Fees (1 665 357) and Capital Contribution - Electricity (R1 278 418)
Surplus on sale of assets	555 125	2 500 000	(1 944 875)	(77.80)	Land sales not realised as budgeted for.
Total Income	457 035 497	460 831 445	(3 795 948)	(0.82)	

APPENDIX E (1) - Unaudited

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2018

	2018 Actual R	2018 Budget R	2018 Variance R	2018 Variance %	Explanation of Significant Variances greater than 5% versus Budget and material
Expenditure					
Employee related costs	151 287 185	153 303 267	(2 016 082)	(1.32)	
Rumuneration of councillors	7 202 030	7 269 038	(67 008)	(0.92)	
Working Capital Reserve	34 345 891	-	34 345 891	#DIV/0!	
Depreciation and impairment	30 044 169	-	30 044 169	#DIV/0!	Unbundling done only by year-end - low spending on projects with resulting lower depreciation.
Interest - External borrowings	18 822 055	19 007 575	(185 520)	(0.98)	
Bulk Purchases	89 362 014	87 369 323	1 992 691	2.28	
Contracted Services	32 192 657	46 521 327	(14 328 670)	(30.80)	Housing projects not completed with unspent funds of R9 131 152 at year end. Saving on budgeted items for Consultants (R765 069), Legal Cost (R443 003), Valuers & Assessors (R420 328), Traffic fines Management (R278 605), Engineering Consulting Cost (R285 315) and Maintenance on all Departments (R1 391 974)
Inventory Consumed	20 243 203	23 558 680	(3 315 477)	(14.07)	Saving on budgeted items for Vehicle fuel (R623 055) and water purchases (R2 468 255)
Transfers and Subsidies	1 054 802	1 106 680	(51 878)	(4.69)	
General Expenses	20 018 955	26 606 620	(6 587 665)	(24.76)	Saving on budgeted items for SETA Training program (R914 497), telephone (R776 057), Postage (R303 746), Leaner- & Internship (R372 250), Software Licence Fees (R309 012), Vehicle Insurance (R357 867) and various smaller savings on operational cost. Workmans compensation expenditure of R1m transferred to employee related costs, while the budget remained.
Total Expenditure	404 572 962	364 742 510	39 830 452	10.92	
Net surplus for the year	52 462 535	96 088 935	(43 626 400)	45.40	

APPENDIX E (2) - Unaudited

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2018)

	2018 Actual R	2018 Budget R	2018 Variance R	2018 Variance %	Explanation of <i>Significant</i> Variances greater than 5% versus Budget
Land					
<u>Land & Buildings</u>	1 479 686	2 363 000	-883 314	-37.38	Unable to complete the erection of a vehicle store (Still Bay) for R400 000, mess halls for workers (Slangrivier & Witsand) for R200 000 and R100 000 due to staff budget constraints. R400 000 was budgeted for a vehicle store, but only the building plans of R4 075 were finalised in 2017/18. Quotations received for the mess halls were much higher than budgeted amounts. Projects not completed.
	1 479 686	2 363 000	-883 314	-37.38	
Infrastructure					
<u>Sewerage</u>	15 597 250	19 393 346	-3 796 096	-19.57	Four projects, Bulk Sewer upgrade - Stilbay (R861 204), Upgrading Sewerage Works - Gouritsmond (R257 740), Upgrade existing gravity line - Stilbay(R378 731) and New Gravity line distribution - Still Bay (R314 516) was unspent at year end due to limited time. Tender for Extension of Sewerage Infrastructure - Albertina (447 061) was cancelled. Roll over application will be submitted for the unspent funds at the 1st Adjustment Budget for 2018/19. VAT on MIG funds was claimed (±R1 431 487), but not allocated to the VAT capital vote.
<u>Water</u>	10 612 293	25 486 708	-14 874 415	-58.36	Five projects, Replacement of water Infrastructure - Heidelberg (R273 719), Upgrading Workworks - Riversdale (R151 500), Security WTW - Riversdale (R141 918), Refurbishment Pumpstation - Preekstoel (R121 885) and Water meters - Slangrivier (R217 310) was unspent at year end due to limited time. Application will be submitted for the unspent funds at the 1st Adjustment Budget. Projects from grant funds, Desalination Plant - Witsand (R8 997 926) and Boreholes - Stilbay/Albertina, was unspent at year end due to late grant allocations. Roll over application will be submitted for the unspent funds. Saving on project, New Bulk water supply - Stilbay (MIG funds R164 370 and loan R862 961).
<u>Electricity</u>	8 574 302	8 975 533	-401 231	-4.47	
<u>Solid Waste</u>	44 234	50 000	-5 766	-11.53	
<u>Roads and Stormwater</u>	9 525 011	15 244 000	-5 718 989	-37.52	Five projects, Reseal Van Riebeeck str - Riversdale (R426 935), Upgrading Strandstr - Jongsfontein (R232 912), Paving of Gravel roads - Riversdale (R305 000), Paving of Gravel roads - Albertina (R100 000) and Stormwater - Jongsfontein (R141 107) was unspent at year end due to limited time. Application will be submitted for the unspent funds at the 1st Adjustment Budget. VAT on Flood Damage funds for Upgrading of Roads & Stormwater was claimed (±R4 325 746), but not allocated to the VAT capital vote.
<u>Information And Communication Infrastructure</u>	850 318	945 200	-94 882	-10.04	
	45 203 408	70 094 787	-24 891 379	-141	
Intangible Assets					
<u>Computer Software And Applications</u>	0	242 000	-242 000	-100.00	Budget Tool (R242 000) not purchased
	0	242 000	-242 000	-100	
Community Assets					
<u>Public Conveniences</u>	527 252	600 000	-72 748	-12.12	Saving on projects
<u>Sportfields</u>	353 213	448 600	-95 387	-21.26	Saving on projects
<u>Cemeteries</u>	595 300	710 400	-115 100	-16.20	Saving on projects
<u>Other</u>	2 685 796	3 549 143	-863 347	-24.33	Three projects, Reseal of Streets in Camp - Ellensrust (R132 287), Reseal of Streets in Camp - Preekstoel (R263 545) and Upgrading of roofs of Chalets - Jongsfontein (R111 112) was unspent at year end due to limited time. Application will be submitted for the unspent funds at the 1st Adjustment Budget for 2018/19.
	4 161 561	5 308 143	-1 146 582	-21.60	
Other Assets					
<u>Plant & Equipment</u>	1 877 916	2 317 050	-439 134	-18.95	Underspending due to savings on purchases of equipment
<u>Motor Vehicles</u>	7 545 793	8 074 200	-528 407	-6.54	Underspending due to savings on purchases of vehicles
<u>Other</u>	2 023 415	2 282 617	-259 202	-11.36	Underspending due to savings on purchases and Budget Tool (R242,000) not purchased
	11 447 124	12 673 867	-1 226 743	-9.68	
Total	62 291 779	90 681 797	-28 390 018	-31.31	

APPENDIX F - Unaudited

Disclosure of Grants and Subsidies in terms of section 123 of the MFMA, 56 of 2003

Name of Grant	Funder	Quarterly Receipts							Quarterly Expenditure					Closing Balance 30/06/2018 R
		Opening Balance 01/07/2017 R	Revert back to Department	September R	December R	March R	June R	Total R	September R	December R	March R	June R	Total R	
National Government		6 716 199	2 461 224	20 010 000	20 783 000	25 619 000	-	66 412 000	13 811 943	12 487 236	15 691 916	28 644 972	70 636 067	30 907
Equitable Share	COGTA	-		12 524 000	12 499 000	12 474 000		37 497 000	9 374 250	9 374 250	9 374 250	9 374 250	37 497 000	-
MIG Projects	COGTA	4 224 067		5 677 000	6 820 000	1 316 000		13 813 000	4 047 704	2 087 888	4 370 824	7 530 651	18 037 067	-
Financial Management Grant	COGTA	-		1 550 000				1 550 000	215 909	340 281	406 461	587 349	1 550 000	-
National Electricity Program	DME	2 461 224	2 461 224		1 000 000			1 000 000		684 635	103 214	212 151	1 000 000	-
Expanded Public Works Programme	DPW	-		259 000	464 000	310 000		1 033 000	174 080	182	92 322	766 416	1 033 000	-
Energy Efficiency Demand Side Mgmt	DME	-					-	-				-	-	-
Disaster Recovery Grant	COGTA	-				11 519 000	-	11 519 000			1 344 845	10 174 155	11 519 000	-
Accelerated Community Infrastr. Programme	DWA	30 907					-	-				-	-	30 907
Provincial Government		13 013 106	50 528	3 548 851	5 280 678	11 518 334	-	20 347 863	4 370 640	10 320 139	2 419 472	5 091 757	22 202 008	11 108 433
Human Settlement Development	WC: Housing	10 078 278		927 518	2 659 344		-	3 586 862	2 728 261	8 277 535		-	11 005 796	2 659 344
Library Municipal Replacement Funding	WC: Cult. Affairs	390 102		1 554 667	1 554 667	1 554 667	-	4 664 001	936 440	1 098 147		929 877	4 799 142	254 961
Municipal Capacity Building Grant	WC: Local Gov	120 000				240 000	-	240 000				-	-	360 000
Slangrivier Land Reform	WC: Land Affairs	8 725	8 725				-	-				-	-	-
Library Conditional Grant	WC: Cult. Affairs	-		1 066 666	1 066 667	1 066 667	-	3 200 000	690 939	780 132	723 005	1 005 923	3 200 000	-
Riversdale Thusong Centre	WC: Cult. Affairs	2 600	2 600				-	-				-	-	-
Proclaimed Roads	WC: Transport	-				111 000	-	111 000			111 000		111 000	-
Greenest Municipality Competition	WC: Environment	11 454				50 000	-	50 000				42 387	42 387	19 067
Spatial Development Framework	WC: Environment	2 807	2 807				-	-	-			-	-	-
Housing Consumer Education	WC: Housing	20 586	20 586				-	-	-			-	-	-
Financial Management Support Grant	WC: Local Govt.	97 500				330 000	-	330 000	-	26 040	170 624	218 168	414 832	12 668
Municipal Infrastructure Support Grant	WC: Pub Works	15 810	15 810				-	-				-	-	-
Mun Service Delivery and Capacity Bldg	WC: Local Govt.	20 244					-	-				16 020	16 020	4 224
Mun Drought Support Grant	WC: Local Govt.	1 000 000				7 500 000	-	7 500 000		133 467	18 139	848 394	1 000 000	7 500 000
Fire Service Capacity Building Grant	WC: Local Govt.	1 200 000					-	-			445 827	492 126	937 954	262 046
LG Graduate Internship Grant	WC: Local Govt.	45 000				66 000	-	66 000	15 000	4 817	21 000	34 060	74 878	36 122
Municipal Electrical Master Plan	WC: Local Govt.					600 000	-	600 000				600 000	600 000	-
District Municipality		373 388	-	-	-	-	-	-	-	-	-	35 000	35 000	338 388
Vermaaklikheid Land Reform	Eden Distr. Mun.	78 786.91		-	-	-	-	-				35 000	35 000	43 787
Alternative Electricity	Eden Distr. Mun.	273 533.43		-	-	-	-	-	-	-	-	-	-	273 533
Housing Consumer Educations	Eden Distr. Mun.	21 067.75		-	-	-	-	-	-	-	-	-	-	21 068
Other		1 148 182	-	63 623	178 991	70 911	98 421	411 946	49 600	45 512	26 391	236 016	357 519	1 202 609
Skills Development	Seta	258 317		63 623	178 991	50 911	78 421	371 946	39 600	45 512	26 391	22 800	134 303	495 961
National Lottery Fund		303 227					-	-				-	-	303 227
Absa							20 000	20 000				20 000	20 000	-
Tourism		101 819				20 000	-	20 000	10 000			10 000	20 000	101 819
Africana Centre		23 314					-	-				23 000	23 000	314
National Heritage Council		-					-	-				-	-	-
Asla Devco - Water meters Slangrivier		273 400					-	-				56 090	56 090	217 310
Business Engineering		-						-				-	-	-
Public Participation Strategy		60 000					-	-				-	-	60 000
Arbor Day Award	Total S A	128 105					-	-				104 126	104 126	23 978
TOTAL - CONDITIONAL GRANTS		21 250 875	2 511 752	23 622 474	26 242 669	37 208 245	98 421	87 171 809	18 232 183	22 852 886	18 137 779	34 007 746	93 230 594	12 680 337

An amount of R2 461 224 from the National Government for the National Electricity Programme was paid back during 2017/18

An amount of R50 528 for various grants from the Provincial Government were paid back during 2017/18

Annexure:B

*AUDIT AND PERFORMANCE
AUDIT COMMITTEE REPORT*



HESSEQUA MUNICIPALITY

AUDIT- AND PERFORMANCE AUDIT COMMITTEE

2017/2018

Audit- and Performance Audit Committee

Report to the Council on activities during the 2017/2018 financial year

1. Purpose of the report

To report to Council on the activities of the Audit- and Performance Audit Committee (APAC) during the year 1 July 2017 to 30 June 2018 as required in clause 10.4 of the APAC Charter.

2. Members of the APAC

Members of the APAC from the beginning of the financial year were as follows:

- Prof PJ du Plessis (Chairperson)
- Mr KG Herbst
- Mr FH Zietsman
- Mrs S van Jaarsveld
- Mr F Hartnick

Mr F Hartnick resigned during January 2018 and the following member replaced him on 1 May 2018:

- Ms A Hartnick

Qualifications of members are as follows:

- Prof PJ du Plessis
BComm
MBL
Doctorate in Business Leadership
Dipl. Marketing (IMI)
- Mr KG Herbst
BComm
MBA
- Mr FH Zietsman
B.Eng Mech
B Comm Hons (Production Management. Project Management)
Master of Science (Naval Architecture)
- Mrs S van Jaarsveld

- Ms A Hartnick
Educational Diploma 3

3. Meetings, attendance and participation

During the financial year 2017/2018 the APAC held four scheduled meetings on the following dates:

- 31 August 2017
- 21 November 2017
- 19 February 2018; and
- 10 Mei 2018

The financial statements for the year ended 30 June 2017 as well as the discussion of the external audit with the Auditor General, were discussed during the quarterly meeting held on 31 August 2017.

Four official meetings were held and attendance of these meetings were as follows:

- | | |
|------------------------------------|---|
| • Prof PJ du Plessis (Chairperson) | 4 |
| • Mr KG Herbst | 4 |
| • Mr FH Zietsman | 4 |
| • Mrs S van Jaarsveld | 4 |
| • Mr F Hartnick | 2 |
| • Ms A Hartnick | 1 |

The responsibility to function as a Performance Audit Committee has also been assigned to the APAC. Accordingly, the Executive Mayor, Councilor G Riddles and Councilor B Smith are members of the Committee when performance audits are discussed. Councilor Smith attended the meeting held on 21 November 2017. Councilor Riddles was unable to attend one of the meetings due to work commitments. Councilors will not form part of this in future, due to changes made to the Audit- and Performance Audit Committee charter.

Mr. JC Oosthuizen, Manager: Internal Audit, attended all meetings and acted as secretary. Full minutes were held of each meeting and submitted to the Council on a regular basis (with recommendations).

4. Scope and responsibilities of the APAC

In terms of section 166 (2) (a) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), an Audit Committee and Performance Audit Committee is an independent advisory body which, inter alia, the municipal council, the political office bearers, the accounting officer and the management staff of the municipality must advise on a wide range of financial, legal and management matters. The responsibilities and powers assigned by the Board to the Committee under this Act are as follows:

- Evaluation of the duties of the Auditor-General
- Evaluation of the mandate, audit plan and functions of Internal Audit
- Monitoring of effective systems of internal control and financial control
- Compliance with laws, rules and regulations
- Monitoring ethical conduct of board members, executive officials and management
- Analysis of financial statements
- Monitoring of performance management
- Review the risk management process
- Monitoring of Good Governance

The APAC has given all these aspects the necessary attention.

5. Summary of key issues discussed during the year

Since full minutes have been submitted regularly to the Council, only the following important issues are addressed:

- Compliance with legal requirements
- Audit planning for 2018/19, 2019/20 and 2020/21
- Non-compliance with Council decisions by directorates
- Evaluation of the Internal Audit function and the Head: Internal Audit in terms of independence and effectiveness
- Audit of general administrative matters
- Audit of internal controls on activities of the Council
- Auditing of accounting procedures and practices
- Implementation of the approved audit plan for the year
- Performance Management
- Risk Management
- Good governance

In addition to the above issues, certain other general issues have also been addressed:

1. Debtors

APAC regards the collection of overdue payments as an important aspect and feedback is given at each ordinary meeting of the APAC. The functions of the debt management department were of good quality throughout the year.

2. Risk Management

There is still a lot of room for improvement, including the implementation and control of a risk management strategy. A risk management committee meets monthly, but the risk register has shown little changes.

3. Execution of Audit Plan

The implementation of the approved Audit Plan is monitored and discussed quarterly by the APAC. The 2017/2018 plan has been amended as a result of the quality of the audits. The modified plan is fully implemented.

6. Auditor-General

The cooperation and evaluation of the functions of the Auditor-General (AG) is one of the priorities of the Committee. The APAC met with the heads of the AG's audit team on 31 August 2017, with the start of the audit of financial statements for the year ended 30 June 2017. Aspects of the nature and extent of the audit were discussed with them and recommendations made on areas of concern that could address the audit.

In respect of the external audit findings, there is monthly progress reports to council on the progress of the matters.

There is no specific accounting and auditing concerns after consideration of external audit reports, as well as internal audit reports.

7. Matters that the Committee wishes to bring to the attention of the Council

7.1 Risk Management

The Risk Management Process is not yet fully functional. As risk management and internal audit are complementary processes, Internal Audit can be more effective if

the risk management process works well. It is acknowledged that Province can provide impetus in the process of establishing a risk strategy.

7.2 Efficiency of the internal audit function

The Committee is pleased with the independence of the internal audit function. The legal requirements for the audit function are extensive. The two skilled staff members in the department are insufficient to give due consideration to all the tasks.

However, the approved Audit Plan for 2017/2018 was carried out satisfactorily, but the Committee believes that additional staff can add an even greater value to the effectiveness of the internal audit unit.

7.3 Opinion on the Annual Financial Statements of 2017/2018

The opinion of the committee on the financial statements for the year ended 30 June 2018 is as follows:

The Director of Finance and her team must be congratulated on the professional way in which financial statements are presented.

The AFS reflects the soundness of the Hessequa Municipality' finances. Regulatory requirements necessitates that items such as transfers must be included in the Financial Performance Statements and causes difficulty in determining the real operational surplus/deficit of the Municipality. In the light of these requirements care must be applied in interpreting the stated R52 mil surplus.

To get a better reflection of the state of the Municipal finances, attention must be placed on cash flow statement which showed an improvement on the previous year. This result was achieved notwithstanding the fact that no new loans were floated over the past year.

The financial ratios are positive as reflected, amongst others, in the current ratio of 2.83.

Revenue and Expenditure are effectively managed with revenue at 99.18% and expenditure at 92.8% of the budgeted amounts.

The municipality's equity increased by 6.9 % meaning that net worth increased on par with inflation. This growth is assuring.

The change in the treatment of certain line items in the "Statement of Financial Performance" made it difficult to compare the 2017 and 2018 financial results. With mSCOA it will be easier to compare the financial years in future.

The percentage of the capital budget that was spent during 2017/18 is lower than could reasonably be expected. This result, however is due to a number of extraneous events such as, amongst others, an amount of R9 million that could not be spent because of a late transfer allocation. If this fact is taken into account this metric is not so negative. More attention to timeous planning is still necessary to avoid "spiking".
Creditor payment period improved slightly. This is still above the norm.

7.4 *Opinion on Performance Management 2017/2018*

The opinion of the committee on Performance Management for the year ended 30 June 2018 is as follows:

1. It is noted that only 5% of the KPI targets are not met, 15% were almost met and 80% were either met or exceeded the targets.
2. Reasons for not achieving the performance targets are clearly motivated.
3. The targets as indicated by the % of provision of electricity, the supply of water, refuse removal and sanitation / sewerage were almost met. It would appear as if the service levels reflect a marginal decrease on levels achieved the previous year. Both aspects may be due to a measurement issue. The problem could be the denominator used namely the total household accounts on the municipal financial system. An explanation is provided in footnote 1 on p.54 of the annual report. The measurement of this KPI needs further consideration.
4. It should be noted that in the draft report of the External Auditors on the performance information there are no material findings on its usefulness and reliability. It was indicated that in future external audits, performance information will be one of the issues that will be focused on.

8. Shortcomings

8.1 *Risk Management process*

The risk management process is not at the required level yet. The progress with the operational implementation of the risk management strategy will be monitored by the APAC.

8.2 *Attendance of APAC meetings by Officials*

The sporadic presence of municipal officials at APAC meetings is a concern.

9. General

Despite the aspects mentioned in this report and especially paragraph 8, the Committee believes that it has succeeded in carrying out their responsibilities. The activities of the Committee are strongly backed by the activities of the Internal Audit function.

The activities of the internal audit department, including its annual program, coordination with external auditors, the results of significant investigations and response of management to specific recommendations can be found in the Agendas and Minutes of the meetings held throughout the year.

Notification must also be made of an important component on the agenda of each meeting, i.e. the internal audit reports.

- It forms the most important source according to which the effectiveness of internal control systems is evaluated
- Risk areas of the municipality are indicated
- Compliance with legislation is being reviewed

The staff of the internal audit department are professional and independent. Their functions are set out in the internal audit mandate and function under the Chairman of the APAC, and administratively under the Municipal Manager. The Manager: Internal Audit has direct communication with the Chairperson of the Audit Committee. The Audit Committee reviews the internal audit mandate annually and it was approved again at a meeting held on 10 May 2018.

The activities of the Internal Audit unit is set out in the Audit plan which is reviewed quarterly by the APAC. The audit plan is **attached**.

There can be given reasonable assurance that the municipality comply with legal and regulatory provisions.

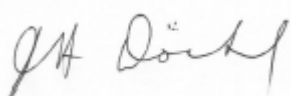
Briefly reports on general aspects as follows:

- a. There can be given reasonable assurance that the effectiveness of internal control systems is on standard.
- b. The financial information provided by management seems to be adequate, reliable and accurate.

10. Interaction with Council

The interaction with Council is good. The minutes of the APAC are submitted to Council and serve at the subsequent Portfolio Committee meeting, which is referred to the Executive Mayor Committee meeting, where the resolutions of the APAC serve as recommendations to the Council. The Chairman of the APAC has a standing invitation to such meetings. The Executive Mayor and a member of the Executive Mayor Committee attend meetings of the Committee twice a year for the discussion of quarterly reports on Performance Management.

The Council and staff of the Hessequa Municipality are again being congratulate on a subsequent clean audit report as well as exceptional awards during the year under review.



Chairperson: Audit- and Performance Audit Committee

Annexure:C

OVERSIGHT REPORT

HESSEQUA MUNICIPALITY



**MUNICIPAL
PUBLIC ACCOUNTS COMMITTEE
OVERSIGHT REPORT
2017/2018**

Contents

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1. FORWARD BY CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Mr Speaker, Executive Mayor, Councillors, Officials and Public

It is with a profound sense of honour and privilege that I present to Council today the Oversight Report on the Annual Report for the 2017/2018 financial year on behalf of the Municipal Public Accounts Committee (MPAC). Allow me to relate my deepest gratitude to all level assurers on oversight for the immense contribution made during the relevant financial year to ensure that accountability is not just an act of compliance only, but a concerted effort to improve overall performance within the municipality.

I can confirm that the Annual Report of the Hessequa Municipality was assessed with due diligence, by each member of the MPAC, and found to be a true and fair reflection of the status and performance of the Municipality and furthermore, complies with the lawful framework as prescribed by the MFMA.

The MPAC has fulfilled its duties in terms of the provisions of the Local Government Municipal Structures Act no. 117 of 1998 and the Municipal Finance Management Act no. 56 of 2003 regarding the exercise of oversight. The leading theorists on the development of democratic systems all agree that three characteristics are common to all successful democracies, which applies to institutions and organizations as well: **the rule of law, accountability and a capable administration (state).**

In achieving an unqualified audit opinion, for the year under review for the third consecutive year, the Municipality has clearly portrayed and demonstrated a strong will to adhere to these principles.

Yet whilst MPAC have the right to enjoy the accolades for achieving unqualified audits and compliance to legislative requirements MPAC need to take serious note on the huge infrastructural underspending for the consecutive year and view the causes thereof as an emerging risk that threatens the maintenance of this achievement.

The MPAC remains a functional committee and still endeavours to have a positive influence on audit outcomes. Issues of good governance and financial oversight retain the status of high priorities. I must note with disappointment, that the MPAC has not thoroughly dispensed its responsibility to effectively assist the Municipality with oversight during the year under review. This must not happen again.

MPAC's are entering a phase of consolidating good practices in an effort to improve oversight. Combined Assurance, legislated duties and functions, dedicated budgets and support staff are to strengthen, streamline and professionalize the oversight unit in order to promote accountable governance. The support in this regard from APAC, SALGA, Provincial Planning and Treasury and the AG Office as external stakeholders is noted with appreciation. Allow me furthermore to extend appreciation to the Administrative staff, the Audit Committee and the Internal Audit Unit for their role in the oversight of the Annual Report.

In dealing with the Annual Report being tabled today and recommended for adoption, the MPAC paid particular attention to the following areas:

1. Financial Performance
2. Non-financial Performance
3. Legal Requirements
4. Legal Framework
5. Errors and Corrections

Thus as the MPAC, our objectives to address the Challenges identified for the new audit period will include:

- A. To closely monitoring performance and emerging risks as identified by the AG
- B. To Increasing the performance of our committee through benchmarking
- C. To review of the Terms of Reference of the MPAC and ensure a development of a new work plan which will include the monitoring of the recommendations made.
- D. To extend the oversight efforts of the MPAC to the municipal entity to ensure the municipality maintains a clean audit.

Cllr Ivan T Mangaliso
Chairperson.

2. INTRODUCTION

The Hessequa Council is entrusted with the responsibility to oversee the performance of its municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). This oversight responsibility of Council is particularly important for the process of considering Annual Reports.

The MFMA and MSA (Systems Act) recognise that Council has a critical role to play to ensure better performance by municipal departments and entities. An explicit linkage exists between the strategic goals determined by the Council through the IDP process. These strategic goals are translated into the budget, and the delivery of those goals, which is reported in the Annual Report. It is important for Council to ensure that the budget gives effect or expression to priorities contained in the IDP. A good budget will lay a basis for better oversight and cement the contracts between the Council, the administration and the public.





The MFMA gives effect to financial management reforms that place greater service delivery responsibilities on managers and makes them more accountable for performance. Whilst, in the first instance it is left to the mayor to resolve any performance failures, ultimately the Council is vested with the power and responsibility to oversee both the executive and administration. Oversight occurs at various levels in a municipality.

Thus the separation of roles between the Council and administration is intended to strengthen the oversight function of Councillors. Good governance and effective oversight and accountability are based on there being this separation of functions. It is fundamental for the achievement of the objects for local government in the Constitution relating to a democratic and accountable system of local government.

Council oversees the performance of the administration through Council and committee meetings.

3. BACKGROUND

Each municipality and each municipal entity must prepare an Annual Report for each financial year in accordance with the MFMA and MSA. The purpose of the Annual Report is:

-  to provide a record of the activities of the municipality or entity;
-  to provide a report on performance in service delivery and against the budget;
-  to provide information that supports the revenue and expenditure decisions made;
- and
-  to promote accountability to the local community for decisions made.

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets outlined in their strategic plans. Annual reports are, therefore, required to contain information on service delivery and outcomes, in addition to financial statements.

It is meant to;

- ✚ be a backward-looking document, focusing on performance in the financial year that has just ended; and
- ✚ must demonstrate how the budget was implemented and the results of service delivery operations for that financial year.

When tabled, the Annual Report should include four main components, each of which has an important function in promoting governance and accountability. The main components are:

- ✚ The annual performance report as required by section 46 of the MSA;
- ✚ Annual Financial Statements submitted to the Auditor-General;
- ✚ The Auditor-General’s audit report on the financial statements in terms of section 126(3) of the MFMA; and
- ✚ The Auditor-General’s audit report on performance in terms of section 45(b) of the MSA.

The oversight report is the final major step in the Annual Reporting process of a municipality. Section 129 of the MFMA requires the Council to consider the Annual Report of its municipality and municipal entities and to adopt an “oversight report” containing the Council’s comments on each Annual Report.

The oversight report must include a statement whether the Council:

- ✚ has approved the Annual Report, with or without reservations;
- ✚ has rejected the Annual Report; or
- ✚ has referred the Annual Report back for revision of those components that can be revised.

The oversight report is thus clearly distinguished from the Annual Report. The Annual Report is submitted to the Council by the mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals set by Council. The oversight report is a report of the municipal Council and follows consideration and consultation on the Annual Report by the Council itself. Thus the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

4. APPOINTMENT OF MPAC

The Hessequa Council resolved that a Municipal Public Accounts Committee be established to perform the oversight function on behalf of Council. This includes the detailed analysis and review of the Annual Report, and drafting an oversight report for consideration by Council.

In terms of a Resolution of Council on the 4th December 2018 additions were made to the MPAC which now comprise of the following non-executive members;

Cllr. I. T Mangaliso ANC (Chairperson)

Cllr T. Van Rensburg (DA)

Cllr T. Van den Berg(DA)

Cllr A. Joubert (DA)

Cllr M Fielies(ANC)

Prof. M. Döckel (Audit Committee)

Mr. K. Victor (Public Representative)

Ms. L. February (Public Representative)

Mr. G. Michaels (Public Representative)






The first meeting of MPAC convened on the 5 February 2019 where the work schedule was finalised to ensure MPAC meet the prescribed deadlines in tabling the oversight report on the Annual Report to council before the 30th of March 2018. The committee also received a briefing from the AG , giving us an overview on their audit findings which clearly emphasised the need for municipalities to take the warnings of emerging risks seriously.

The meeting dates were outlined and purposed as follows:

05 February 2019	-	Planning and scheduling of meetings
26 February 2019	-	Discuss input from members of MPAC
05 March 2019	-	Receive and discuss input from departments
11 March 2019	-	Corrections in the Annual report
18 March 2019	-	Postponed due to lack of quorum
20 March 2019	-	Present, Approve and signoff Draft Report
28 March 2019	-	Table report to Council

5. FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE:

In so far as the Annual Report is concerned, MPAC is required to perform the following functions of oversight:

-  Undertake a review and analysis of the Annual Report.
-  Invite, receive, and consider inputs from the public and ward committees, on the Annual Report.
-  Consider written comments received on the Annual Report from the public consultation process.
-  Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.
-  Preparation of the Oversight Report, taking into consideration, the views and inputs of the public, representative(s) of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

6. PROCESS OF ASSESSMENT OF THE ANNUAL REPORT

The draft Annual Report for 2017/2018 was tabled at the Council meeting held on 30 January 2019, when it was resolved as follows:

- a) That Council takes note of the Annual Report for the 2017/18 financial year.*
- b) That the Annual Report be submitted to an extended Municipal Public Accounts Committee (MPAC) for the development of an Oversight Report as required by legislation.*
- c) That the Annual Report be made public and advertised for public comment.*
- d) That the Annual Report be sent to all Ward Committees for comment.*

In dealing with the tabled Annual Report, the Council is required to adopt an oversight report by not later than two months from date of tabling, which for the 2017/2018 Annual Report will be 30 March 2019.

Advertising Process

After the Council meeting on 30 January 2019, and in response to the Council resolution taken at that meeting, the Annual Report for 2017/2018 was made public in terms of section 127(2) of the MFMA and the local community and members of ward committees were invited to submit representations in connection therewith. Noting with disappointment that no submissions were received.

Official notices advertising where the Annual Reports could be viewed and inviting representations from the public were placed in the local newspapers and on the Municipality's website.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS FROM MPAC

After serious deliberations on some of the matters highlighted by my MPAC members the following was resolved on the key issues;

- 7.1 **Annual Report Format:** The Annual Report should serve as the confirmation to the public that Council has delivered services to all residents to the extent of the resources availed to it. There are various concerns raised in MPAC concerning the document size and language used in the Annual Report. ***It is recommended that Council avails resources to the administration for the development of a more consumer friendly Annual Report document.*** The fact that no public comments were received, even though it was circulated to Ward Committee Members, is a confirmation that the document is too technical and not speaking to the general reader in our communities.
- 7.2 **Capital Expenditure:** Capital Expenditure remains a challenge in Hessequa Municipality. The dire effect on service delivery cannot be denied. After lengthy discussions and feedback being considered from Management, MPAC supports the concerns as raised by the Auditor General within the Audit Report which relates to gross under expenditure of Capital Expenditure. ***With the given factors affecting expenditure, which is compounded with SCM challenges, Council should make a serious effort to use their oversight role to engage with Management on this issue with measurable controls to be monitored and reported upon.***
- 7.3 **SCM Process Delays:** During the discussions of considering the feedback from management, the SCM process as a whole was discussed. ***MPAC is of opinion that further investigation into the root causes that lead to delays within the process of tenders in specific. Management should develop measurable controls and provide feedback on the improvement of the process to Council.***
- 7.4 **Financial Control Processes used in Capital Expenditure:** With consideration given to the feedback provided by Management, the indicator remains a negative reflection on Council's ability to do business efficiently with its service providers. The primary reason for delays in payments are attributed to "spiking" at year end, and have this issue been a historic challenge in Hessequa. ***Once again the SCM challenges are escalating this issue and should Council consider clear control measures that should be provided by Management on how this issue is being addressed with measurable controls.***
- 7.5 **Traffic Fines Collection Process:** With all feedback being considered, the indicator of impairments reflects negatively as a result of traffic fines not being collected. It is suggested that Council considers the current strategy and review law enforcement practices given that most control is located outside the municipality and located within the judicial system. ***Progress with issues identified should be monitored and reported to Council.***
- 7.8 **Skills Development Budget Expenditure:** MPAC expresses its concern in the underspending of the Skills Development budget. As reported by Management, it should be spent 100% and should Management implement stronger control

mechanisms to ensure spending. ***Implementation of control measures should be reported to Council.***

- 7.9 Outdated Master Planning:** MPAC noted in the content of the Annual Report that various Strategies and Master Plans are indicated as "outdated" and in need of review. ***Management should provide a clear response on all Master Planning relating to service delivery and the status thereof.*** Plans are outdated and this reflect negatively on any institution with outdated planning documentation.

8. EMERGING RISKS AND EMPHASIS FROM THE AG REPORT.

The following findings were identified from the AG report.

As much as the findings did not modify the opinion of the AG it still raised concerns on the impact of service delivery.

Material losses/impairments

As disclosed in note 3 to the financial statements, the municipality has provided for the impairment of trade receivables from exchange transactions (consumer debtors) amounting to R16 335 103 (40,5%) [2016-17: R17 571 976 (45,8%)].

As disclosed in note 4 to the financial statements, the municipality has provided for the impairment of trade receivables from non-exchange transactions (mainly traffic fines) amounting to R65 713 361 (70,7%) [2016-17: R63 351 431 (70,8%)].

As disclosed in the statement of financial performance and note 30 to the financial statements, the municipality has written off receivables from exchange and non- exchange transactions amounting to R33,1 million during the year (2016-17: R23,8 million).

Irregular expenditure

As disclosed in note 51.3 to the financial statements, irregular expenditure of **R1 687 552** was identified in the current year by the municipality and certified to be irrecoverable and written off by council.

Unauthorised expenditure

As disclosed in note 51.1 to the financial statements, unauthorised expenditure of **R862 201** was incurred in the current financial year. The recovery of it will be determined by council after an investigation by a Section 32 committee of council in terms of the MFMA.





Underspensing of the capital budget

As disclosed in the appropriation statement, the municipality has underspent on its final approved **capital budget to the amount of R28,4 million (31,3%)**. The reasons for the variances are set out in note 56 to the financial statements.

9. CONCLUSION & RESOLUTIONS

The MPAC commends Council and all staff at Hessequa Municipality on the strides made towards good governance and the achievement of a clean audit for the 5th consecutive year. Emphasis is placed on the work to be performed in the area of project performance and the 2017/2018 financial year must target focussed attention in this area.

Having performed the following tasks:

-  Reviewed and analysed the Annual Report;
-  Considered comments and departmental feedback received;
-  Received and considered Council's Audit Committee views and comments on the annual financial statements and the performance report;
-  Prepared the Oversight Report, taking into consideration, the views and inputs of the public, representatives of the Auditor-General, organs of state, Council's Audit Committee and Councillors;

MPAC has pleasure in presenting the Oversight Report to Council to consider the following resolutions;

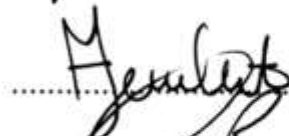
- a) That Council takes note of the Oversight Report and the recommendations by the MPAC on the 2017/2018 Annual Report of the Hessequa Municipality
- b) That the Council, having fully considered the Annual Report referred to in (a) above, adopts the Oversight Report, without reservations;
- c) That the Oversight Report be made public in accordance with section 129(3) of the Municipal Finance Management Act (Act 56 of 2003);
- d) That the Oversight report be submitted to the Provincial Treasury in accordance with section 132(2) of the Municipal Finance Management Act (Act 56 of 2003).
- e) That Council takes note of the recommendations made by MPAC within the Oversight Report and that an implementable action plan be developed by the Office of the Municipal Manager for quarterly submission to the Municipal Public Accounts Committee (MPAC) to oversee implementation.

Signed by Members

Cllr I Mangaliso (Chairperson)



Cllr AM Joubert



Cllr T van den Berg



Cllr T van Rensburg



Cllr M Fielies



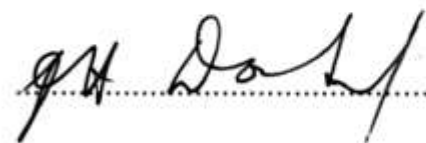
Mr K Victor



Ms L February



Prof M Dockel



10. ANNEXURES

- A. Minutes of MPAC meetings
- B. Provincial Treasury Letter on 2017/2018 Annual Report

HESSEQUA MUNISIPALITEIT



NOTULE

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

DINSDAG 5 FEBRUARIE 2019
OM 14:00

LEDE:

Rdl. I Mangaliso - Voorsitter
Rdl. T van Rensburg
Rdl. T van den Berg
Rdl. AM Joubert
Rdl. M Fielies

1. OPENING EN VERWELKOMING:

Rdl I Mangaliso verwelkom alle Raadslede, publieke verteenwoordigers asook die lede van die Ouditeur Generaal van Suid-Afrika (AGSA) en Mnr L de Villiers open met gebed.

2. KONSTITUERING / AANSOEKE OM VERLOF

2.1 Teenwoordig

MPAC lede	Amptenare
Rdl I Mangaliso - Voorsitter	Mnr L de Villiers
Rdl T van Rensburg	Me L Marais
Rdl T van den Berg	
Rdl AM Joubert	Me M Adams (Notuleerder)
Rdl M Fielies	
<u>Publieke verteenwoordigers:</u>	
Prof JA Dockel	
Me L February	
<u>Lede van Ouditeur Generaal van Suid-Afrika (AGSA).</u>	
Mnr DA van Huyssteen	
Mnr J Janse van Rensburg	

2.2 Verskonings:

Mnr K Victor – Publieke verteenwoordiger

Mnr G Michaels – Publieke verteenwoordiger

3. GOEDKEURING VAN NOTULE

3.1 Dat die notule van 3 Desember 2018 goedgekeur word.

Voorstel Rdl T van Rensburg, sekondant Rdl T van den Berg

4. SAKE VIR BESPREKING

Die Voorsitter verduidelik die belangrikheid van die oorsigproses en die rol van die "Municipal Public Accounts Committee" (MPAC) aan almal teenwoordig.

4.1 2017/18 EKSTERNE OUDIT TERUGVOERING - AGSA

File number / Verwysingsnommer: 3/4/1/1/3

Meeting date / Vergadering datum: 5 Februarie 2019

Report by / Verslag deur: Bestuurder Strategiese Dienste

RECOMMENDATION / AANBEVELING

1. Dat die Komitee kennis neem van die terugvoeringsverslag van die eksterne audit op die 2017/2018 finansiële jaar.
2. Dat enige kwessies voortspruitend bespreek en notuleer word vir verdere oorweging deur "Municipal Public Accounts Committee" (MPAC).

Voorstel Rdl T van Rensburg, sekondant Rdl T van den Berg

4.2 2017/18 JAARVERSLAG OORSIGPROSES WERKSVERDELING

File number / Verwysingsnommer: 3/4/1/1/3

Meeting date / Vergadering datum: 5 Februarie 2019

Report by / Verslag deur: Bestuurder Strategiese Dienste

RECOMMENDATION / AANBEVELING

1. Dat die Komitee kennis neem van die Raad se besluit en aanbeveling ten opsigte van die Oorsig Proses oor die 2017/2018 Jaarverslag.
2. Dat die werkverdeling van die Jaarverslag se inhoud soos volg verdeel word.
Hoofstuk 1 – Rdl T van den Berg
Hoofstuk 2 – Rdl T van Rensburg
Hoofstuk 3 – Me L February, Mnr K Victor en Mnr G Michaels (Publieke verteenwoordigers)
Hoofstuk 4 – Rdl AM Joubert
Hoofstuk 5 – Prof JA Dockel (Voorsitter: Ouditkomitee)
Hoofstuk 6 – Rdl M Fielies
3. Dat die volgende werksprogram vir die oorsig proses wat spesifieke vergadering datums bevat om te voldoen aan die toepaslike wetgewing soos volg is.

3.1 Terugvoering van kwessies vanaf Raadslede

Indien van insette vanaf Raadslede word ontvang teen 20 Februarie 2018, waarna dit bespreek sal word op 26 Februarie 2019.

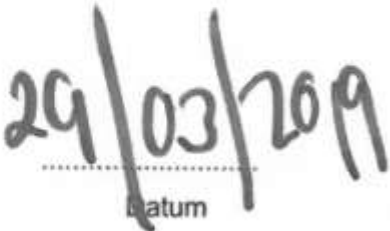
3.2 Insae en kommentare vanaf die publiek – 5 Maart 2019

3.3 Voorlê van die Konsep oorsigverslag - 11 Maart 2019

Voorstel Rdl T van Rensburg, sekondant Rdl AM Joubert

Die vergadering verdaag om 15:40.


.....
voorsitter


.....
datum

MPAC Notule: 26 Februarie 2019

10:00, Riversdal Raadsaal

Teenwoordig:

Teenwoordig	Verskonings
<ul style="list-style-type: none">• Rdl I Mangaliso• Rdl T van den Berg• Rdl T van Rensburg• Rdl A Joubert• Rdl M Fielies• Me L Februarie• Mnr L de Villiers• Me L Marais	<ul style="list-style-type: none">• Prof M Dockel• Mnr K Victor• Mnr G Micheals

2. **Opening en Verwelkoming:** Rdl I Mangaliso
3. **Konstituering:** Vergadering is Konstitueer
4. **Goedkeuring van vorige notule:** Rdl T van den Berg, Sek Rdl M Fielies
5. **Sake voortspruitend**
 - Tye van komende Vergaderings: 5de 10:00, en 11de 09:00
6. **Sake Vir Bespreking**
 - Bespreking en notulering van insette vanaf lede. – Punte is deurgewerk op Templaar
 - Mededeling: Rdl I Mangaliso gee terugvoering aan komiteelede vanaf die SALGA Voorsitters Vergadering wat hy bygewoon het. Twee punte word benadruk:
 - 6..1.1. Strukture Wet: Voorstelle tot wysiging van Art. 79 om MPAC Rol beter vas te lê. - Voorsitter sal item tot terugvoering aan die Raad stuur.
 - 6..1.2. Proses op Nasionale Vlak – Ouditeur Generaal kan sake verwys vir verdere ondersoek en/of vervolging.
 - Item aan die Raad oor terugvoering van die opleiding deur SALGA - Mnr L de Villiers
7. **Datum van volgende vergadering:** 5 Maart om 10:00
8. **Sluiting:** Rdl I Mangaliso bedank Komiteelede vir werk gedoen, vergadering verdaag om 16:38

Goedgekeur


VOORSITTER


DATUM

MPAC Notule: 5 Maart 2019

10:00, Riversdal Raadsaal

1. Teenwoordig:

- | | |
|----------------------|----------------------|
| • Rdl I Mangaliso | • Rdl T van Rensburg |
| • Rdl T van den Berg | • Rdl M Fielies |
| • Me L Februarie | • Mnr L de Villiers |
| • Mnr K Victor | • Me L Marais |

2. Verskonings:

- Prof. M Dockel
- Rdl A Joubert
-

3. Opening en Verwelkoming: Rdl I Mangaliso open met gebed.

4. Goedkeuring van vorige notule: Rdl T van den Berg stel voor en Rdl M Fielies sekondeer goedkeuring met regstelling van lokaal.

5. Sake voortspruitend

- Geen

6. Sake Vir Bespreking

- **Publieke Insette Ontvang** – Mnr L de Villiers het die brief wat ontvang is vanaf Provinsiale Tesourier aan die komitee voorgelê. Rdl I Mangaliso het die komitee gelei in verskeie punte wat deur die brief genoem word en bevestig die komitee dat daar nie enige kwessies is wat uit die skrywe onder die aandag van die Raad gebring hoef te word nie.
- **Terugvoering op Kwessies identifiseer** – Die kwessies soos alreeds deur die lede van die komitee bespreek is terugvoering ontvang vanaf die Bestuur en in diepte bespreek en deurgewerk. Enkele kwessies moet nog verdere terugvoering kry wat voor komende Vrydag, 8 Maart ingedien moet wees by die Strategiese Dienste kantoor.

7. Datum van volgende vergadering: 11 Maart om 09:00.

8. Sluiting: Vergadering verdaag om 12:14

Goedgekeur:


.....
VOORSITTER


.....
DATUM

MPAC Agenda: 11 Maart 2019

09:00, Riversdal Raadsaal

1. Teenwoordig:

- | | |
|----------------------|---------------------|
| • Prof M Dockel | • Rdl M Fielies |
| • Mnr K Victor | • Rdl I Mangaliso |
| • Rdl A Joubert | • Me L Marais |
| • Rdl T van Rensburg | • Mnr L de Villiers |

2. Verskonings: Rdl T van den Berg skriftelik, Me L Februarie, Mnr G Micheals

3. Opening en Verwelkoming: Rdl I Mangaliso open die vergadering, uiter dankbaarheid vir reën wat geval het. Open vergadering met gebed.

4. Goedkeuring van vorige notule: Staan oor tot volgende vergadering

5. Sake voortspruitend

- **Terugvoering op kwessies finaliseer** – Mnr L de Villiers bied die verdere terugvoering wat ontvang is op kwessies aan die komitee. Alle terugvoering wat ontvang is, word gereken as genoegsaam en kan die sake/kwessies voortspruitend uit die Jaarverslag nou saamgevat word vir insluiting in die Oorsig Verslag. Mnr L de Villiers sal nou kwessies finaal saamvat en aan die Komitee versprei.
- **Addisionele Kwessies** – Geen verdere publieke insette is ontvang nie

6. Sake Vir Bespreking

- **Konsep Aanbevelings in Oorsig Verslag** – Rdl I Mangaliso versoek dat Jaarverslag aan die komitee beskikbaar gestel word wat die regstellings reflekteer - Regstellings in JV teen komende Vrydag aan lede verskaf. Verder het die Komitee die konsep voorstel van "Approval, with reservations . . ." voorgestel en het die komitee die implikasies hiervan in diepte bespreek. Rdl Mangaliso het onderneem om die Konsep Oorsig Verslag ook teen Vrydag, 15 Maart beskikbaar te stel vir verspreiding aan lede.
- Rdl I Mangaliso het onderneem om SALGA opinie aan te vra oor die definisie van "reservations on the Annual Report".

7. Datum van volgende vergadering: 18 Maart 2019, 09:00

8. Sluiting: Rdl I Mangaliso Bedank lede en vergadering verdaag 12:42

Goedgekeur


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Voorsitter


.....
DATUM

MPAC Notule: 18 Maart 2019

09:00, Riversdal Raadsaal

1. Teenwoordig:

- Rdl I Mangaliso
- Rdl M Fielies
- Mnr K Victor
- Prof M Dockel
- Me L Marais
- Mnr L de Villiers

2. Verskonings:

- Rdl T van Rensburg

3. Konstituering: Kworum nie teenwoordig, vergadering uitgestel tot 20 Maart om 09:00 in Riversdal Raadsaal.

4. Opening en Verwelkoming:

5. Goedkeuring van vorige notules:

6. Sake voortspruitend:

6.1 Finale Jaarverslag Dokument:

6.2 Konsep Oorsig Verslag:

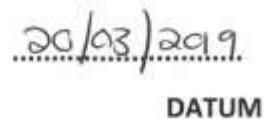
7. Nuwe Sake Vir Bespreking

8. Datum van volgende vergadering: 20 Maart 2019, 09:00, Riversdal Raadsaal.

9. Sluiting: Vergadering verdaag om 09:35

Goedgekeur


VOORSITTER


DATUM

MPAC Notule: 20 Maart 2019

09:00, Riversdal Raadsaal

1. Teenwoordig:

- Rdl I Mangaliso
- Rdl M Fielies
- Mnr K Victor
- Rdl T van den Berg
- Rdl A Joubert
- Rdl T van Rensburg
- Prof M Dockel
- Me L Marais
- Mnr L de Villiers

2. Verskonings: Geen

3. Konstituering: Kworum teenwoordig

4. Opening en Verwelkoming: Rdl I Mangaliso heet komiteelede welkom en open die vergadering met gebed. Rdl A Joubert vra verskoning vir afwesigheid vir die vorige vergadering.

5. Goedkeuring van vorige notules: 5 Maart: Voorstel Rdl T van Rensburg, Sekondant Rdl M Fielies; 11 Maart: Voorstel Rdl A Joubert, Sekondant Rdl M Fielies

6. Sake voortspruitend:

6.1 Finale Jaarverslag Dokument: Rdl I Mangaliso bevestig dat die gewysigde Jaarverslag ontvang is. Mnr L de Villiers sal regstelling notas aan Komiteelede stuur. Komiteelede sal terugvoering gee indien nodig voor einde van werksdag.

6.2 Konsep Oorsig Verslag: Rdl I Mangaliso dra Konsep Oorsigverslag voor aan die Komitee.

6.1.1 Verslag word bladsy vir bladsy deurgewerk met enkele regstellings.

6.1.2 Voorstel word gemaak dat Publieke Verteenwoordigers ook tydens normale MPAC vergaderings betrokke gemaak word en dat dit verwys word na volgende MPAC vergadering.

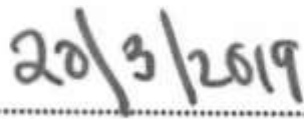
6.1.3 Voorsitter stel voor dat wysiging gemaak word aan konsep Oorsigverslag se aanbeveling C, deel gemaak word van B en verander word na "without reservations".

6.1.4 Voorstel vir aanvaarding van gewysigde Oorsigverslag: Rdl A Joubert, Sekondant Rdl M Fielies

Die Voorsitter bedank lede van die komitee vir hul deursettingsvermoë en harde werk om die dokumentasie in diepte deur te werk.

7. Sluiting: Vergadering verdaag om 10:20


.....
Rdl I Mangaliso (Voorsitter)


.....
Datum:



Ms/Mr KC Roman
Local Government Budget Office
Email: keith.roman@westerncape.gov.za
tel: +27 021 483 5434 fax: +27 21 483 4680

Reference: PTR 12/2/9/4

The Municipal Manager
Hessequa Municipality
PO Box 29
Riversdal
6670

For attention: Mr. J Jacobs

PROVINCIAL TREASURY COMMENTS ON THE TABLED 2017/18 ANNUAL REPORT

1. INTRODUCTION

- a. MFMA section 121(1) states that every municipality and every municipal entity must for each financial year prepare an annual report. The council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.
- b. MFMA sections 121(3) and (4) sets out the framework relating to the content of the annual reports for both municipalities and municipal entities.
- c. National Treasury has further introduced the new annual report template and MFMA Circular No. 63 on 26 September 2012. MFMA Circular 63 aims to provide guidance to municipalities and municipal entities on the Annual Report format and its contents.
- d. The municipal council is then obliged to consider any views of the local community; the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the Annual Report.

2. LEGISLATIVE COMPLIANCE

2.1 Conformance

The conformance assessment highlights compliance by Hessequa Municipality with the MFMA and Annual report MFMA Circular 63 is as follows:

- The Municipality submitted the draft 2017/18 Annual performance report together with the AFS to the Auditor General by 31 August 2018.
- The unaudited Annual report was not tabled into Council at least two months at the end of the budget year in accordance with MFMA Circular 63.
- The draft Annual report was tabled to Council on 30 January 2019 which is within 7 months after the end of the financial year in accordance to MFMA section 121(1).
- The draft Annual report are displayed on the municipality's website from 5 February 2019 which is in line with the requirements of section 75 of the MFMA.
- The Annual report was made public and the public was invited to comment on the Annual report by 28 February 2019.

2.2 Format of the Annual Report as per MFMA Circular 63

- The Annual Report fully complies with the Annual Report Template as described by MFMA Circular 63 as all the relevant chapters are included.
- All the appendices as proposed by MFMA Circular 63 has not been included in the draft annual report, however the Annual Report does contain some of the information required in the appendices in the body of the Annual Report.
- The draft Annual Report provide a comprehensive overview of the demographics, population, growth, highlights and challenges faced in the municipal area during the 2017/18 financial year.

3. Chapter 3: Service Delivery Information and Performance

NON-FINANCIAL PERFORMANCE SUMMARY

Strategic Objectives	Targets achieved	Targets not achieved
SO 1: Cost effective service delivery	7	7
SO 2: Good Governance and Public Participation	13	2
SO 3: Social and Economic Development	19	3
SO 4: Financial Management	6	0
SO 5: Environmental Management	3	0
Total	48	12

Comments

The municipality have met 48 (80 per cent) of its 60 non-financial performance targets it set for the 2017/18 financial year, which indicates that the municipality succeeded to execute its strategy successfully during the financial year. Significant under performance are noted under the strategic objective "Cost effective service delivery" where only 50 per cent of targets were met.

Examples of specific basic service delivery targets where targets were marginally missed are the provision of electricity to residential properties, provision of water to residential properties and the provision of refuse removal to residential account holders. Areas where targets were performance variances are higher are the percentage capital spent and limiting electricity losses to below 10 per cent for the 2017/18 financial year.

The municipality provided detailed reasons for variances in performance and aim to improve its performance in the 2018/19 financial year. There is a misalignment between the reported operating and capital expenditure on page 162 of the annual report which indicates large negative variances, however the majority of the non-financial targets are met. The municipality need to align the financial and non-financial performance in order to become more efficient and effective in service delivery implementation.

The municipality's audit finding for 2017/18 remained unchanged since 2016/17 as unqualified with no findings.

4. CONCLUSION AND RECOMMENDATIONS

Hessequa Municipality compiled and tabled a draft annual report of exceptional quality in line with the requirement of sections 121 and 127 of the MFMA.

The municipality produced a thorough and sufficiently detailed 2017/18 Annual Report reflecting accurate information pertaining to the municipality's performance during the year under review.

The 2017/18 Annual Report adheres to the prescribed format albeit only partial, as it did not include all of the recommended appendices.

The municipality's service delivery performance for the 2017/18 financial year should be improved in 2018/19 by a thorough review of the target setting for 2019/20 as well as the implementation of the corrective measures as proposed in the 2017/18 annual report.